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EDITORIAL

As We See It

For some years past the thought of inflation has not often been far from the minds of analysts of the situation in this country. The steady if not rapid rise in prices which occurred before the recession set in toward the middle of last year, and which continued throughout the months when the so-called business cycle was on its downward side, did nothing to assuage the fears of those who were concerned about the matter. As is usually the case, voices could be heard, particularly during the days when business activity and employment were moving downward, saying that a "little inflation" would be a good thing, and that, in any event, it could be expected over the longer period of time if growth in the economy is to continue. Prices have of course continued to change, but of late, increases have tended to offset losses with the result that what is rather vaguely termed the "price level" has remained about unchanged.

Events do not, however, appear to have brought a great deal of peace of mind to those who fear inflation in the years ahead. The adjustments supposedly effected during recessions to lay a basis for a lower price level—or at least a cessation of price increases—have not been made since the boom ended a year and a half or more ago. From all appearances business is moving ahead again and another boom—or perhaps a bubble on top of a boom—may be in the making. If such should indeed prove to be the case, there are many who fear that the upward course of prices will presently be resumed. Recent experience seems to suggest that recessions no longer bring adjustments in prices, and that booms such as we

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Recession, Recovery and An Anti-Inflation Policy

By DR. ROBERT R. DOCKSON*
Professor, School of Commerce,
University of Southern California
Consulting Economist, Union Bank & Trust Co., Los Angeles

Southern California bank economist opines industrial production can be increased to twice the current rate by 1975 without the fear of inflation if fiscal and monetary policies are intelligently applied. Dr. Dockson, not unaware of the growing hold that the fear of inflation has, points out several factors working against increased prices despite the anticipated increase in production, and predicts GNP in 1959 will be about $465 billion compared to $440 billion in 1957 and $435 billion in 1958. Recommends price stability be as much a continuing policy of the Government as has maximum employment.

The decrease in business activity that was so widely discussed just a year ago turned out to be the briefest of the three post-World War II downturns. The contraction phase of the current cycle lasted about eight months—a period equaled in brevity but three times in the past 100 years. This spectacular behavior of our business system was the principal reason why the gloomy forecasts of last year experienced such a rapid rate of obsolescence. However, the economy's behavior has produced something of much greater significance than bringing discredit to those forecasters who miscalled the turning point. It has brought with it a fear psychology that can be found wherever a group of serious minded individuals gather to discuss business conditions and the direction they are tending. This fear of which I speak is, of course, the fear of inflation along with its many accompanying problems. Economic knowledge has not yet reached the state where simple

Robert R. Dockson

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*An address by Dr. Dockson before the California Bankers Association, Los Angeles, Calif.

The Canadian Domestic And International Scene

By A. C. ASHFORTH*
President, The Toronto-Dominion Bank, Toronto, Ontario

Canadian banker urges his government to take decisive action in initiating solution to the problem of inflation; terms 1958 a relatively good year and expresses cautious optimism about 1959 but adds unemployment will continue to be a worrisome factor next year; calls for increased competitive world trading in order to meet oncoming Russian competition more successfully; and takes exception to recommendation that would give a National Energy Board too strong regulatory powers over the oil and gas industry. The banker suggests creation of a Royal Commission study of the problem of full employment, inflation, monetary and fiscal policies.

The past year has been one in which the hopes of Canadians have not been realized and their fears have proven unfounded. A year ago many Canadians were full of hope that 1958 would see a resumption of rapid growth by the Canadian economy. Others were fearful that Canada was headed into a depression. Neither has happened.

During the past 12 months overall economic activity in Canada has moved sideways on a plateau. The term "recession" has been freely bandied about but I sometimes wonder whether or not future historians will not regard the 1958 recession as Canadian folklore rather than an historical fact.

According to the dictionary, recession means the act of falling back from a point already achieved. In terms of over-all activity there has been no falling back on the part of the Canadian economy.

In dollar terms the Gross National Product will

A. C. Ashforth

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*An address by Mr. Ashforth before the Annual Meeting of the Toronto-Dominion Bank, Toronto, Ont., Dec. 2, 1958.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 41.

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

Gas Service Co. (Kansas City, Mo.) — Vernon J. Giss, Secretary-Treasurer, Stephens, Inc., Little Rock, Ark. (Page 2)

Neptune Meter Co. — Frances Stone, Financial Consultant, New York City. (Page 2)

VERNON J. GISS

Secretary-Treasurer, Stephens, Inc., Little Rock, Ark.

Gas Service Co. (Kansas City, Mo.)

This company with 550,000 customers is one of the larger gas distribution systems and serves a populatioin of almost 2,000,000 in the heart of America's rich corn and wheat lands. Principal cities served are Greater Kansas City, Topeka, Hutchinson, St. Joseph, Bartlesville and Wichita. Until 1954, the company was wholly-owned by Cities Service Company and is now owned by 15,000 stockholders. Gas Service is an investment stock with a most attractive growth potential.

Statistics (1957)

	M. C. F.
Peak day load	948,528
Sales	164,811,000
Load factor	48%
Average rate:	
Domestic	51¢
Industrial	20.3¢

Gas Reserves

Cities Service Gas Company supplies 97% of the company's requirements under contract and controls total reserves in excess of 8½ trillion cubic feet.

In November, 1957, the Kansas Commission granted the company a rate increase which it is estimated will produce $1,100,000 additional annual gross revenue. The commissions regulating this company have been reasonable and fair and with the very low rates in effect, there should be no question of keeping earnings at the full allowable level.

The company has a capital ratio of about 65% debt and 35% equity after privately placing $11,000,000 20-year, 4.15% bonds with institutional investors in June of this year. They should have no difficulty in meeting future capital requirements without equity financing.

Experienced management, since divorcement from Cities Service and SEC regulation, has been quite aggressive in acquiring adjoining properties and extending lines to new communities. All officers and directors are prominent residents of the area served. They are also very aggressive in direct sales of appliances (except in Oklahoma where it is not permitted) and are installing large numbers of "Gaslites" and air-conditioning, both domestic and commercial.

It is most interesting to note that this company has a 48% "load factor," therefore, as they are successful in building a summer air-conditioning load, all of the profit from such "load" would be brought down to net before taxes. Also, a year-round "load" from "Gaslites" would not require additional investment or expense other than "cost of gas sold."

Earnings have been increasing steadily and while the sharp increase in 1958 earnings ($2.84 per share for the year ended June 30, 1958) is at least partially attributable to an unusually cold 1957-58 winter, the past record and management aggressiveness indicate this improvement should continue.

Consider the following:

(1) Low rates assure there will be no competition from other fuels.

(2) Adequate gas supply (adjacent to Hugoton Field).

(3) Serves one of the finest agricultural and industrial areas in the country.

(4) Management is aggressively adding new areas and expanding its existing market with air-conditioning, "Gaslites" and other gas appliances.

(5) Satisfactory regulatory atmosphere.

(6) Stockholders can expect a fair return plus steady growth and increased earnings.

Gas Service Company common, traded in over-the-counter market, is currently quoted at 33, to yield 4.61%, the price-earnings ratio being 11.6.

Five-Year Record

	1953	1954	1955	1596	1957	12 Mos. 6-30-58	% Increase Per Year (1953-1957)
Customers (Yr.-End)	474,412	497,152	520,635	537,943	553,327	(2)	4.2
Sales (B. C. F.)	132,063	137,329	145,510	154,590	164,811	N.A.	6.2
Net Plant	$52,170,248	$56,361,118	$60,663,750	$63,896,036	$67,496,953	N.A.	7.3
Gross Revenue	44,174,000	51,098,000	61,248,000	63,707,000	65,574,000	68,8[illegible]1,000	12.1
Net Income	2,119,000	2,793,000	2,781,000	2,881,000	3,462,000	4,266,000	15.8
Per Share (1,500,000 Shares)	1.41	1.86	1.85	1.92	2.31	2.84	15.9
Dividend	(1)	1.24	1.36	1.36	1.36	1.52(3)	(1)

(1) Owned by Cities Service in 1953.
(2) Not comparable with Dec. 31 figures but reflects a 12-month increase of 12,164 customers.
(3) Annual rate effective Sept. 10, 1958—34c paid in March and June, 1958—38c paid in Sept., 1958.

FRANCES STONE

Financial Consultant, New York City

Neptune Meter Company

Nineteen hundred fifty eight is the year in which Neptune Meter Company's diversification program is maturing. About five years ago, new companies with diversified products were aggressively added to the Corporation.

Frances Stone

In 1953, the year that marks the significant change in business, Neptune was pre-eminent in the liquid meter field. Although growth in this area was assured, particularly industrial sales, the large share of the home water meter market held by the company precluded immediate substantial increases in total sales. As insurance for future growth, the remaining interest in Revere Corporation of America with its affiliate, The Thermal Harness Company, was secured through an exchange of stock. A partial interest in the corporation had been held from 1950. This first new subsidiary added is a manufacturer of aircraft components and specialty wires for temperature measurement and control.

Electronic Signal Company, a manufacturer of highway toll, accounting, and weighing equipment, became a part of Neptune in January, 1954. Also in the same year, the Cox & Stevens Company, producer of electronic aircraft weighing kits was acquired.

In 1955, the Superior Meter Company, a small producer of tincase gas meters, was added. This latter organization provided the Neptune Corporation with the nucleus for penetrating the gas meter field. At the time of acquisition, Superior meters were sold primarily in the Northeastern part of the United States.

Neptune broadened the engineering staff of Superior, redesigned existing tincase gas meters, and developed a new full line of aluminum case gas meters to meet national demands. Through Neptune's national distribution system for liquid meters, the merchandising of these gas meters throughout the country is being expanded. A new dimension has been opened for the company. It can compete aggressively in this new market to obtain a substantial share of total industry sales.

In February, 1958 the company acquired 100% interest in Hot Spot Detector, Inc., a manufacturer of temperature monitoring equipment for grain storage elevators.

Connecting these company acquisitions, are two basic principles—products are utilized for measurement and control; and are related in some way to those of Neptune.

Prior to becoming part of Neptune, the Revere Corporation purchased meters from Neptune to use in a fuel gauging instrument for airplanes. Revere's wire and aircraft devices led to the acquisition of Electronic Signal Company and its electronic weighing and recording equipment; and later the affiliation of Hot Spot's temperature measuring and scanning systems.

At the present time, sales are divided roughly as follows: 70% from liquid and gas meters, and 30% from electronic and electromechanical equipment.

In the home water meter field, Neptune is the largest single factor. Sales are related to a large extent to the number of annual housing starts. In line with construction activities, meter sales declined in the last half of 1957, and there was no resurgence in home building in the early months of 1958. From May, 1958, to October, housing starts have risen steadily to a three year peak of 1,260,000. For the entire year, the total will probably be about 1,200,000 starts.

Sales of water meters in the last half of 1958 will be above the first six months rate. There is a lag of about three months between a housing start and the sale of a meter, consequently, some sales, attributable to present construction will be carried over to the first quarter of 1959. For all of 1959, housing starts are projected at the same level or slightly above the current rate.

Water meter sales are influenced not only by construction of new homes and factories, but also by the need to conserve water. Communities that have been subjected to a water shortage have installed meters as a proven means of cutting waste, and in many instances, thereby avoided the necessity of constructing a costly new water system.

Industrial and petroleum liquid meters, another major line of the company's products, are used in general industry to provide precise measuring for process control, and in the delivery of petroleum products at wholesale and retail levels. Sales of such meters are tied to capital equipment expenditures that have remained at reduced levels since the third quarter of 1957. The improved business

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Security or Illusion

By DR. JOSEPH M. WEIDBERG
Financial Analyst
Miami Beach, Florida

Man's quest for security and illusions resulting from inability to foresee the continued deterioration of the dollar is the background against which the advantageousness of stocks and borrowed money is explained. Mr. Weidberg traces the forces contributing to our shrinking dollar, runs through the gamut of security values in comparing their strong and weak facets, and briefly deals with advice on what kind of securities to buy. He examines the past 20-year performance of stocks and bonds to show the whys of the flight to stocks and the gains the borrower reaps which the lender forfeits.

The most compelling urge in man, the urge that fires his imagination, steels his heart and makes his brain work overtime—next to the primary physical urges for food, shelter and sex—is the drive to gain ultimate security.

Dr. J. M. Weidberg

The urge for security must have arisen very early as a result of coping with insecurity, for the want today of what one had the day before, the week before, or the month before.

This understandable fear, this urge for survival, undoubtedly made prehistoric man deny himself some of his acquisitions for the day when he would not be able to secure a new supply. This brought about savings — the first savings—of food, of wood to make a fire, of a mate to be there at all times, etc.

It is an interesting speculation that cultivation of the soil and domestication of animals arose from the urge to have savings, so as to provide one with security later on. Perhaps a prehistoric man decided to hide underground his excess of grains and flesh from a freshly killed animal, and later forgot about it for some time until he felt hunger, with the weather being inclement and preventing him from securing the wild growing grains and beasts. He may have seen sprouting from the ground green plants, similar to the ones he was well acquainted with, but his meat was rotted. As compensation, the plants were even better than those that nature provided by itself.

Then there arose barter, an exchange of goods one had aplenty for goods one needed.

There was the problem of spoilage, which ultimately led to the creation of a unit of exchange, so that one could exchange immediately perishable articles for "currency" to be used whenever wanted.

Currency had to have, **and should still have,** certain attributes namely, durability in a form that could be carried and transported readily and would not change in value or buying power. Gold and silver, comparatively rare metals, in the form of coins with the stamp of the ruler to assure real and fiat values were a natural sequence, to become the major part of savings.

Of course there were other types of "currency," including jewelry, certain types of hard-to-find stones, shells, etc.

The urge to have security was not limited to this life, and with the belief in a hereafter implanting itself in the religious codes of many people, the rich who died were often provided in the tomb with coins, jewelry, food, tools, wives and servants.

This gives a very pointed indication of the strong hold that security had over the minds, the hearts and aspirations of man.

As man progressed, there arose other forms of savings desides coins, jewelry, precious stones, natural products and land — all different forms of security.

Note that the word "securities" that we employ today for various types of investments is derived from the word "security."

To attain security, man is willing to slave in factories, mines and farms, leaving the matter of his own security to his employer in exchange for his work and freedom, whether the employer be he himself or another person or persons. A wag is purported to have said that for a woman, one type of money is the best security—matri-money. The fate of most women is entwined with that of their man. The burden of achieving security is left to the man.

The security of the employee or the wife, as well as that of the employer, is often ephemeral. If the employer or money earner fails (loses his security), then the security of all those dependent upon him vanishes and there remains nothing but an illusion—a dream that failed.

Most people **save**—putting aside some of their earnings in the form of "securities," although security may be achieved by a few by robbing, by shady deals and by conquest. Whatever the means used for the achievement of security, it is the same urge that exists alike with the peasant and the king.

Age Old Problem of Security Instead of Illusion

The problem today, as it has existed for many hundreds and thousands of years, is still the same—how can one get security and not illusion?

Of course there are certain periods which may run for many years, known as good times, dur-

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Copper Cross Currents

By DR. IRA U. COBLEIGH
Enterprise Economist

Some notes on the volatility of copper prices, trends in demand and production and the suitability of copper shares in an inflationary economic climate.

Copper is a wonderful conductor of electricity but its conduct in the market has been most erratic. From a fire-sale low of 5c a pound in 1933 it moved 23 years later to its highest price since the Civil War, 46c a pound, only to animate every mine from the Congo and Chile to Chibougamou into feverish production. Exploration went on at a mad pace, marginal mines had a field day, and the lowly priced copper shares on the Toronto Board blossomed and burgeoned like the rose—a yellow rose, that is . . . Granduc, Kilembe, Maritime, Temagami, Opemiska hit, in 1956, some dazzling highs to which they now longingly look back; while the major dividend payers displayed an earnings curve that looked like a successful flight chart at Cape Canaveral. It was just too much. In 1956, 1,117,580 tons of copper were produced in the U. S. (the first year in 27 years to cross one million tons). Demand faded, marginal mines closed and, within two years, the price thudded back to 25c a pound. It had advanced too high, too fast. The evidence of the recession, and the fact that at above 40c, substitutes, especially aluminum, moved in, took their toll; and a new look at the whole supply/demand structure was requisite.

Ira U. Cobleigh

By the end of 1957 many marginal producers were shutting down because they couldn't live on a price below 30c; and the major producers, here and overseas, embarked on a program of voluntary curtailment.

By June of this year things began to look a little better. First, an old tariff, set down in the Internal Revenue Act of 1932 at 1.7c a pound, but perennially suspended, was imposed. Strikes became epidemic on a world-wide basis, and weeks of production were thus lost not only in the U. S. but in Canada, Africa, and South America. Further, on the U. S. demand side, electric equipment and electric utility purchases picked up, construction and military purchases held up well, and motor vehicle and appliance buying turned higher after Labor Day. So copper prices looked firmer and inched back up again hitting 29c less than a month ago. It seemed that the market had not only stabilized but gave promise of a fairly solid price plateau around the 30c level. But no, the strikes ended, production curtailments lapsed, the British government planned to sell some of its surplus; and once again copper got fluttery and dreams of comfortable 30c stabilization faded.

Well just where does that leave us now? Will copper dip again to 25c or below? What chance does it have to get above 40c again, where high earnings for all can be realized? And what about inflation? Aren't metals supposed to be good defenses? Frankly you can't glean too much optimism about the immediate future. If we can get a decent supply/demand equilibrium at 31c or better, a year hence, that would seem to be about par for the course. (There are some in the industry who are not eager for Copper to go much higher than that, lest aluminum enlarge its inroads).

It is on the longer horizon that we see a brighter picture. Our government may possibly resume stockpiling at some point; an agreement worked out through some Committee within the United Nations might perhaps stabilize world copper production on some sort of national quota basis. (This is not such a wild idea since something of the sort is already under discussion respecting zinc and lead production; and Russia, which has been dumping other metals is shy of copper and a large buyer).

On the demand side the long range in the U. S. is favorable with electric power production rising steadily and more and more machines and processes electronically operated and controlled. Rising industrialization all over the world is building heavy long term demand for copper. Think what a demand there'd be if homes in countries behind the Iron Curtain had TV sets, washing machines, electric refrigerators, toasters, etc., in the same ratio as homes in the United States. Copper could sell at 50c with a demand like that!

As a defense against inflation companies with large reserves, and low cost deposits would appear in a favorable position, and particularly attractive would be those companies which have good copper deposits in close relationship with some other ore such as nickel.

Turning to the supply side, even assuming a substantial and steady long-run rise in copper demand, there are some huge stores of ore that can be mined if the price is right. In Rhodesia and the Belgian Congo; in Chile, Mexico and Peru; in Arizona, Montana, Nevada and Michigan; in Quebec and British Columbia, there are vast known reserves of commercial grade ores.

Putting money in copper shares is, quite frankly, not for the timid but for the bold intrepid investor, as price swings, even in the higher grade copper equities, can be quite nerve-wracking. For example, Anaconda has, in 1958, ranged between 40 and 63¾; Inspiration, between 25⅝ and 43; and Magma, a real pendulum, between 31⅞ and 71⅛—over a 100% swing in 11 months.

You have a wide selection of market vehicles to choose from. There are giddy long shot speculations such as Maritime at $1, Temagami and Granduc both below $2, and a pretty good one, Opemiska, at $8 in Toronto. There are some highly respected Rhodesian producers on the New York Stock Exchange, Rhodesian Selection Trust selling at 2½, and Roan Antelope (neither a horse nor a gazelle) at 5. For those who favor copper shares but are of a more conservative turn of mind we might suggest a current look at two others. Anaconda and Cerro de Pasco.

Anaconda Company is the second largest copper company in the world and is believed to own around 40% of the estimated reserves in the free world. Almost 70% of its present production comes from Chile and its open pit Chiquicamata Mine is perhaps the lowest cost producer. A new Chilean mine, El Salvador is expected to enter production in 1959. Its operating costs are expected to be even lower than any other mine, with an indicated annual output of 90-100 thousand tons.

Of all major copper companies Anaconda has the most diversified operations. It is among the largest American producers of uranium and perhaps 40% of 1958 net will come from this source. The company is also an important producer of zinc, silver, manganese and aluminum.

Anaconda is also the leading copper fabricator in the U. S. through American Brass Company (with 12 plants), which it owns entirely, and Anaconda Wire and Cable Co. (70.6% owned).

The size of the company is indicated by its 44,000 employees, 130,000 stockholders, a gross property account of above $1 billion, and net working capital of over $200 million.

About earnings, net per share on the 10,714,627 shares of outstanding common should run at about $2.50 this year providing some coverage for the indicated $2 dvidend. Dividend policy has been to distribute about three-fifths of net, and some cash dividend has been paid in each year since 1936, the largest being $5 in 1956, when record per share earnings of $12.85 per share were achieved. Anaconda sold at 3 in 1932, at 174⅞ in 1929 and quotes at around 59 today. If copper steadied at 31c, "A" could earn $8 a share.

Cerro de Pasco copper should also earn $2.50 a share this year, and on 31c copper, it too, could earn $8 a share. Its mining properties are in Peru, primarily in copper but also producers of lead and zinc. Cerro has a number of refining and fabrication plants in the U. S. In addition, together with American Smelting, Phelps Dodge, and Vermont Mining, Cerro is in a $100 million joint venture (its share is 16%), Southern Peru Copper Corp. This enterprise should enter production next year at an indicated annual rate of about 250 million pounds. Cerro is a wide mover and, when conditions are right, an exciting money maker. At around 44 it has a considerable appeal for patient speculators.

Copper is not a sensational area for investment today, but its future has considerable lustre.

Earl Wilson Director Of Investors League

Congressman Earl Wilson of Indiana has been elected to the Board of Directors of Investors League, Inc., according to William Jackman, League President.

Investors League, Inc. is a national non-profit, non-partisan organization of individual investors established in 1942.

The State of Trade and Industry

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

The trend of industrial production continues to point to higher levels in the months ahead. Steel order volume this week is showing evidence of increasing demand with the main support from the automotive industry to make up for lost time due to strikes.

The nation's fifth-largest industry, gas and gas-burning equipment, claimed to be the first major industry to make a complete recovery from the effects of the recession.

In fact, more than 550 members of the Gas Appliance Manufacturers Association have just recorded their best month in more than two years and see no signs of a let-down in 1959, Clifford V. Coons, GAMA President and executive Vice-President of the Rheem Manufacturing Co., reports.

As for retail trade, numerous early Christmas sales promotions offset the effects of unseasonally warm weather in many areas the past week, thus increasing total retail trade moderately above the week before. Sales were reported close to those of a year ago.

Forecasting the prospects for business and industry in the coming year, "Dun's Review and Modern Industry" looks for a continued but somewhat slower rate of recovery with the pre-recession peaks matched during the first half of 1959, but nothing of boom proportions will immediately follow.

With a sharp increase in activity in the automobile industry, total physical industrial production will move up substantially in the next few months, and then the rate of expansion will slacken somewhat. Much of the increase will be the result of a rise in manufacturers' new orders, which in turn will reflect a slow but steady improvement in capital spending and consumer buying. There will be some re-accumulation of stocks early next year, reports "The Trend of Business" in the December number.

Consumer buying, especially of durable items, it adds, will be stimulated by record levels of personal income. The number of employed will move up slowly, but will not match the record level until sometime during the latter half of next year. The rate of unemployed will continue to exceed the levels that existed before the recession got underway.

As the recovery moves closer to completion consumer prices will begin to resume creeping upward due to an increase in the money supply, higher wages and production costs, and, perhaps most important, a rise in consumer buying.

Retailers are banking on a record Christmas selling season to pull overall volume for 1958 up to or slightly ahead of 1957, it further states.

Employment conditions for the nation-at-large reveal that unemployment dropped in most of the nation's 149 major industrial centers in October and November, according to the United States Department of Labor in its bi-monthly survey.

Employers surveyed by the department in the same period were optimistic that the upward trend in hiring would continue until the first of the year, when the usual seasonal increase in idleness is expected.

In a separate report for the week ended Nov. 15, the agency said the number of workers drawing unemployment compensation rose 56,000 to a total of 1,775,100, reflecting "seasonal influences" and rescheduling of claims because of the Veterans Day holiday. A year ago, the total rose 136,400 to 1,493,600. This year's figure, the department added, represented 4.2% of the labor force compared with 3.6% a year ago. Insured unemployment, the agency stated, usually begins to rise in late October, but this year the rise has been somewhat less than usual.

New claims for unemployment insurance, reflecting new layoffs, rose 38,800 to a total of 329,000 in the week ended Nov. 22, the department reported. Initial claims in the like week last year rose 52,500 to 354,000.

There is a lot more zip to the steel market this week "The Iron Age," national metalworking weekly reported on Wednesday last.

It noted that steel order volume is heavier and more steel users are coming into the market, but the main support is from automotive, which has been prodding the market with rush orders for December delivery.

The auto companies are going full-speed ahead to make up for output lost due to strikes. At the same time, new model sales

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Observations . . .

By A. WILFRED MAY

THAT MARKET OLD-RELIABLE

Surely the most consistent thing about the stock market is its bulwarking by "inflation" fears (and hopes). This week, typically, the convention of the Florida-tanned investment bankers of the nation was confronted with the inflation specter via its Presidential address.

A. Wilfred May

Ironic, and significant at least to the short-term course of inflation, was last week's sharp break in copper prices, with a 2½-cent decline to 28 cents; particularly in the context of its long-continuing stay below the 46-cent price tag of 1956.

In addition to highlighting the practical stabilizing effectiveness of generally overhanging capacity, copper's de-flation demonstrates that inflation-consciousness is being increasingly concentrated in the stock market community (with some spilling-over into the art market).

Actually, the Consumer Price Index which was stable during the four-year period from 1952 to the spring of 1956, and which subsequently rose by 8%, has again been turning down since last August—with coming non-inflationary stability expected by Commissioner of Labor Statistics Ewan Clague. Declines are specifically looked for in the food area, which has been strongly bolstering the overall cost of living to the consumer-investor.

Since 1948 the total rise in the wholesale price index has amounted to only 14%—an average of less than 1½% per year—with over three-quarters of the total rise connected with the Korean War. The cost of living in 1956 was no higher than in 1953.

Even the upward pressure exerted by labor strength so popularly cited as an inflation stimulus, does not move on a one-way street. The rise in wage rates petered out in 1958, along with actual weekly earnings. And wage inflation during the 1960's may well be forestalled by the major addenda to the labor force from the rising birth rate of the wartime 1940's. And there are the deflationary implications of the budgetary reduction of the built-in stabilizers.

Surely it behooves the investor to examine realistically the actual tie-in with the stock market that is envisioned as inflation's role. Is the holding of common stocks to take into account and exploit "inflation" as a market influence (to be recurrently trotted out as the old reliable bullish arguments); or is their function directly to protect him in his own cost of living problems? If the former, the market record shows that it has been so exploited far in excess of what was warranted; and if the latter, one must recognize the uncertainty of correlation between the stock market and cost of living. We have many times demonstrated that inflation in the economy has been far from a one-way affair—with any tendency toward one-wayness in peacetime being downward. And as we have demonstrated there has been frequent divergence in this and other countries between economic inflation when it does occur, and stock market behavior.

Vital Offsets

Surely our plant capacity, with the immediate ability to overcome any shortages appearing, remains as the airtight forestaller of inflation—from the stodgy textile area on up to the glamorous "new" metals.

Exemplifying industry's resourcefulness in offsetting inflationary costs are the new design features instituted in oil and chemical refining operations. Such design and process improvements are reported cutting new refinery equipment costs by about 5% a year, according to President E. V. Murphree of the Esso Research and Engineering Company. As a complete counteraction of the "inflation" factor, drilling costs have been reduced by two to three percent a year by engineering improvement.

Thus, "inflation" is seen to be largely endemic to the stock market, with the investor having a strong vested interest. At the same time the market's action itself casts considerable doubt on the actual importance of the inflation element in a role other than as an excuse for bullishness when required. For outstanding in the big market rise have been the utilities and the insurance stocks, although both groups tend to be hurt rather than helped by a rising price level. Incidentally, the rise in these "deflationary" market sectors will again be brought forth as appropriate hedges, if and when we ever tail around into a *bear* market.

Is the Globe Big Enough for Capitalism and Communism?

By CYRUS S. EATON*

Chairman of the Board, Chesapeake & Ohio Railway

Chairman of the Board, Steep Rock Iron Mines, Ltd.

Convinced that the globe is big enough for both capitalism and communism—or at least worth the try, a leading American industrialist suggests we take up Khrushchev's expressed desire for a rapproachement with the west with our President taking the first step by visiting Moscow and by replacing our Secretary of State. The sponsor of the Pugwash Conferences cites objective testimony of U.S.S.R.'s and China's progress; notes the enthusiasm of the Russians for their system; refers to the astronomical costs of the cold war and threat of nuclear annihilation; and prescribes a program to make capitalism flourish which includes cessation of subsidization of Socialism abroad, creation of larger and more powerful banks, and warmer understanding between labor and capital. To this, Mr. Eaton recommends that we seek additional leadership from the industrialist and labor leader.

As a dedicated capitalist, I recently went to Russia to try to see for myself what makes the rival system of communism tick. I visited the Soviet Union for a relatively brief period, and I do not pretend to have come away with all the answers. But I saw enough to convince me that communism is not likely to crumble from within, despite all the wishful thinking of some of our diehard, sandy-headed political and economic ostriches.

Cyrus S. Eaton

The Union of Soviet Socialist Republics occupies the largest land area of any nation in the world, and its 200,000,000 people are moving swiftly to make the utmost of the broad array of resources that abound in their vast and varied terrain. You are struck with this sense of both distance and speed as you wing your fast way the comparatively short 1,000-mile journey from Copenhagen to Moscow by giant Russian jet plane in two hours.

Your impression of speed is reinforced as you observe the rapid pace with which the Russian people move, even as they walk along the city streets and country roads. You simultaneously observe that they must be ardent devotees of physical fitness, for they combine powerful physiques with abundant good health. Watch them at their jobs, and you conclude that love of hard work occupies a high place in their credo. Especially striking is the large number of women enthusiastically performing tasks that we normally consider the exclusive province of men.

Russians Are Eager to Learn

As you visit the Soviet schools and libraries, you are impressed with the obvious eagerness of both young and old to learn. From 5,000 to 10,000 people come each day to Moscow's All-Union Lenin Library, which contains 20,000,000 books and pamphlets. You cannot fail to marvel at the almost universal literacy of a nation in which 40 years ago, 80% of the people could neither read nor write.

At the same time, one must not forget that Russia has traditionally held a position of prominence among nations in cultural fields. Some of the world's literary masterpieces have been produced by Russian writers, and the theater, the opera and especially the ballet, today as in the past, flourish and excel in Russian hands. The museums, particularly in Leningrad, serve as a reminder of Russia's reverence for the arts.

Russians Are Friendly and Peace-Loving

Throughout my stay in the Soviet Union, I made a determined effort to meet and talk to as many people of all ages and occupations as possible. Regrettably, I do not speak Russian, so I was obliged to communicate through an interpreter. I did not have to rely on my interpreter, however, to sense that one of the most marked characteristics of the Russians is their friendliness. With this pronounced trait, I feel there goes hand in hand an overwhelming desire for peace. Here, in my mind, lies great hope for the future harmony of the world, for I believe the people of America match the Soviet populace both in capacity for friendliness and in love of peace.

I met the editors of *Pravda*, *Izvestia* and *Trud*, the three leading papers, as well as a number of magazine editors, and the head of *Tass*, Russia's wire service. I hardly need point out to this sophisticated audience that Soviet journalism differs markedly from American, but I do want to stress that I was impressed with the intelligence and ability of these leading editors. I also had private conferences with ambassadors and foreign correspondents of leading countries.

Russian Leaders Are Able

Able is also distinctly the word for the men who had Russia's government, industry and banking. I met with seven cabinet members, numerous other government officials, a number of industry leaders and the head of the State Bank of Moscow. Let me say a word concerning Russian banking. Deposits draw 3% interest; while only 2% is charged on loans. Credit is extended solely for the building of homes. A Russian can own his own house if he chooses to, but the land on which it is built belongs to the state. There is no rent for the land, but a property tax based on the value of the land. The Russian owns all the furnishings of his home and, if he has an automobile and a radio, those are his property, too. At present, he has to pay cash on the barrel head for everything. If instalment buying is ever introduced in the Soviet Union—and my hunch is that it will come eventually—the consequent increase in demand for consumer products will create a mass market well worth American attention.

Russians Are Sold on Their System

I would not know where to look for the American who would want to trade our system for the Russian way. On the other hand, I think we Americans must take full cognizance of the fact that the Russians are enthusiastically sold on their system. In the 40 years since their revolution, they have made immense material and intellectual progress on a mass scale, and they are determined to continue to get ahead. Furthermore, they are as imbued with devotion to Mother Russia as we are with respect for our beloved Stars and Stripes. The nation that succeeded in launching the first Sputnik must be taken as seriously as the country in whose laboratories the first nuclear chain reaction was produced.

From my 90-minute interview with Premier Nikita Khrushchev, I believe I gained some insight into the Russian attitude. I hope I also left with him some notion of the intensity with which an American industrialist can and does believe in both capitalism and peace.

Mr. K struck me as a powerful personality, utterly lacking in the pretense and pose associated with the stuffed shirt school of pompous politicians and statesmen. He is strong of body, intellect and will. Short and stocky, he seemed hardly more than half as tall as I, but twice as broad. He looks as though he takes good care of his health. Natural and down-to-earth, he gives frequent evidence of enjoying a good sense of humor.

Khrushchev Explains Why Russians Want Peace

Mr. K expounded in detail the reasons why the Russians want peace. First he cited the colossal cost of armaments, and pointed out that, in these days of astounding scientific progress, today's effective weapons may well be obsolete six months from now. The

Continued on page 22

*An address by Mr. Eaton before the Economic Club of Detroit, Detroit, Mich., Nov. 24, 1958.

The Dynamic World Growth of Plastics

By H. E. HUMPHREYS, JR.*
Chairman, United States Rubber Company, New York City

Rubber industry head and a leading producer of plastics predicts a tremendous rise in the production of plastics in the next ten years. Labeling current excess production only a "momentary problem in the course of the long success which plastics is sure to follow," Mr. Humphreys foresees a tripling of present world's production of 9 billion pounds by 1968 and notes a number of nations are giving the United States a lively competitive race. Finds foreign competition a healthy development, states "there is room for all of us in this wondrous plastics industry," outlines four goals toward research, and hopes tariffs will not hobble this new industry.

I have arranged my paper under four main headings. First, I shall comment on the tremendous growth of plastics and the important place they are making for themselves in these rapidly changing times around the world.

H. E. Humphreys, Jr.

Second, I want to touch upon the significance of plastics as I know them close at hand in this country.

Third, I shall explore the patterns of international expansion in plastics.

And fourth, I would like to take up the international goals of plastics for the future and review some of the problems we all now face or will face as plastics business continues to grow.

Tremendous Growth

In just the past 10 years the volume of plastics production worldwide has more than tripled. In the last 20 years output has increased more than 20-fold.

In this year of 1958, an estimated nine billion pounds of plastics will be produced. This is a nice round figure but perhaps it does not mean much to us until we compare it with something else. The production of rubber is also growing and it has been for more than a 100 years. Yet worldwide production of natural and synthetic rubber combined this year will come to only seven billion pounds. Thus the world output of plastics is 30% greater than the output of rubber.

Where are all these plastics going? It is common practice to talk of the many instances in which plastics have replaced other materials. Such talk implies that plastics are gaining at the expense of other areas of industry.

Actually plastics have come to the aid of steel, rubber, wood, paper, ceramics, glass and many other materials. Meanwhile most of these other materials are still growing in volume in the uses for which they are best suited. There is certainly no decline in demand for steel or rubber, either natural or synthetic. Nor are the requirements for wood and paper tapering off. Our greatest problem with wood and paper today is to make sure that our replanting and reforestation programs keep pace with the ever mounting drain on our natural resources.

It is true that plastics have taken over some of the jobs of the traditional materials and are doing these jobs better, but in many other areas plastics have created new markets out of research. In packaging particularly plastics have opened up vast new opportunities. Plastics have shown the way toward a higher standard of living and toward greater employment for people.

*An address by Mr. Humphreys before the International Plastics Dinner, Chicago, Ill., Nov. 19, 1958.

Present Excess Production

The foremost problem of the plastics industry today is overcapacity. We do have excess capacity in some countries and some companies will suffer.

Growth in demand wil come, but it will not be automatic. It must be created. Those who contribute most through research and low cost operation will enjoy success as in the past.

When we take a careful look at the great possibilities ahead for plastics world-wide, it seems conservative to expect production to just about triple in the next 10 years. This would bring us to a world consumption of 27 billion pounds, or 13½ million tons, by 1968. This would certainly make our present capacity look meager indeed.

Now let us move on to the second part of this subject and get down to things more specific. What is behind this industry which grows so rapidly that it almost takes our breath away? I believe I can best answer this question if I will take a look at plastics as I best know them personally—as I have seen them develop here in my own country.

No Longer a Gadget

As we came out of World War II, we found plastics in what we sometimes refer to as the "little red gadget stage." Most people knew plastics as colorful but cheap substitutes for materials, particularly metals, which they had been forced to do without during the war. At that time the public's experience with plastics in toys, radio cabinets, combs, brush handles and many other products, was one of a cheap substitute which would easily break.

The fact that the American public has been willing to accept a rapidly increasing volume of plastic products in the postwar period is truly a tribute to the men who have discovered, developed, produced and merchandised more versatile types of plastics. It is also a tribute to the Society of the Plastics Industry for its campaign among product manufacturers to get them to select and apply plastics in products where they were truly useful. Today plastics are no longer looked upon as substitute materials but largely as qualify products adapted to specific needs.

In the first decade following 1938, the United States' share of world plastics production grew from less than one-third to more than two-thirds. In the most recent 10-year period, although United States output has continued to mount, this country's share of world output has declined to about one-half. This trend reflects the rapid recovery of other nations in this field after World War II.

Today 10% of our plastics go into packaging. To me the most remarkable thing about this development is the great impact which these new materials have had on merchandising methods. Just to take one example, see what plastics have done in our food markets. Because of their use in pre-packaging of fruits, vegetables, meats and other food products, they have contributed in large measure to the success of the supermarket.

Today we find plastics all around us. They take an active part in the daily lives of each of us.

We wear plastics in raincoats and in cold weather jackets.

We walk on plastics in plastic floor tile, in plastic soled footwear and in foam plastic rug padding.

We travel with plastics. We have plastic luggage. Whether we travel by car, train, plane or bus we may find plastics in foam cushions, upholstery material, seat and wall panels, floor covering.

Plastics are everywhere in our homes. There are plastic curtains and upholstery material, foam plastics in furniture and rug padding. There are plastics in paint. Plastic panels decorate our walls, cover our patio roofs. We have plastic wastebaskets and laundry baskets, radio and television cabinets. Out on the lawn we have plastic hose.

We eat from plastics—plastic dishes, glasses and tablecloths.

We use plastics when we write, in the shells for fountain pens, ballpoint pens and mechanical pencils.

We play with plastics in boats, roller skate wheels, balls, dolls, games, beach toys and hula hoops.

We find plastics at work in industry in pipes, housings, hoppers, gears and many other places, and on the farm, where they are beginning to be used as temporary silos and mulching material.

Plastics have been with us in large volume in the United States for only about 25 years. Yet we now use more plastics than rubber, which has been an industry to be reckoned with for about a century. This year the per capita consumption of plastics in the United States will be about 24 pounds. This compares with rubber consumption equal to 19 pounds per person. Without the rapid growth in the use of plastics since World War II, there is some doubt that the available supply of natural and synthetic rubber would have been able to keep up with the swiftly rising demand.

Compares Rubber and Plastics

Naturally, I am very conscious of this comparison between the growth in rubber and the growth in plastics, since my industry is intimately involved with both. Over the years we have watched the growth in consumption of natural rubber. Since the start of World War II we have seen the even more rapid growth in synthetic rubber. And since the end of the war we have witnessed the dynamic rise of plastics.

The rubber industry has taken part in the development and advancement of all three types of raw materials. As you know, we in the rubber industry like to think of rubber as the original plastic. Perhaps this is because it gives us the feeling we have been in the plastics business much longer than anyone else. But I understand the glass people also like to think of their product as the original plastic and, of course, that puts them ahead of us in the rubber industry.

In any case, I am glad to be able to say that the rubber industry has made some valuable contributions to the plastics industry as we know it today. Methods of compounding, molding, extruding and curing developed by the rubber industry have come in handy in the manufacture of many plastic products.

What does all this have to do with international expansion in plastics, which is my third topic?

Faster Foreign Production

Many of these same rapid developments in plastics which I have noted in the United States have been experienced, I know, by other nations in varying degrees. I believe that those nations which have a large consumption of plastics per capita have shown the potential available in this industry for all nations as they develop economically. In many countries the expansion in the use of plastic may well develop much faster, since they may have less tradition of other materials to overcome.

Since World War II the most rapid growth in plastics production has been outside the United States. The poundage production of resin had quadrupled in just the last 10 years.

A number of these other nations have given the United States a lively competitive race. We have seen resin landed on our shores at selling prices that have sent American producers scurrying to find ways to reduce their costs. This has been disturbing to the American companies, but on balance I believe it has been a healthy development. It has demonstrated the growing world-wide nature of the plastics industry. It has shown that no single nation has a monopoly on research, development resources, production ability or marketing ingenuity.

Recently I have noticed a curious and interesting development. Plastic resin shipped from the United States to Europe is today molded into numerous parts for automobiles. One make of automobile alone contains 10 such parts. These cars are then shipped back to the United States where they are sold in competition with American-made cars. And we talk about our Yankee ingenuity!

Some areas of the plastics industry presently face the problem of over-capacity. As I mentioned before, this is a temporary situation. I do not know of any industry that has greater potential for future growth. In the future, wherever we see nations developing, we shall see plastics expand rapidly. A few sample glimpses serve as a reminder.

For centuries, Frenchwomen have been a familiar sight carrying home bare loaves of bread under their arms. Some of them are now beginning to carry loaves wrapped in plastic. If this is the start of a trend, it could have real significance for the plastics industry.

In Egypt the age-old handmade pottery is giving way to domestically produced plastic bowls and cups.

In many areas of the world where shoes were always before a luxury for the masses, millions of feet are being shod in footwear with plastic soles.

I even understand that the hula hoop craze, which I am told started in Australia, and which I witnessed as it whirled through the United States with the frenzy of a tornado, has passed on to Mexico, Cuba, Great Britain and goodness knows where else. If there are any countries which have not yet been subjected to this craze, I have two suggestions to make. First, by all means get into the business immediately (and get out quickly). It is a wonderful way to use up surplus inventories of resin in a hurry. Second, leave the use of the hula hoop strictly to the younger generation; for the middle aged, the gyrations can be rough on the sacroiliac.

Plastics are versatile. They are becoming more so every day. Already plastics are superior to many other materials in resistance to corrosion, weather and, in many cases, wear.

The number of applications in which plastics are less expensive is growing year by year. This growth will continue as the metals become more expensive and the plastics less.

Plastics are also on the verge of pushing back the high temperature barrier. As they do, the demand for them will increase manyfold.

Fourth, and finally, let's look ahead to the future.

Look into the Future

We must recognize that this is already one world as far as plastics are concerned. No one nation or group of nations can afford to assume it has an advantage over others that can last. This will continue to be a lively, competitive, swift-moving industry in which the only advantage any of us can expect is that of being on our toes, creating new opportunities through research and development and acting quickly and fearlessly on these opportunities with faith in the great future of this industry.

Thus our prime goal in plastics as we enter the space age is to continue and, wherever possible, step up our research effort. I see four directions in which this research effort can be directed.

First, there lies a great opportunity ahead for those who can develop types of plastics with better resistance to heat. Already our military people are asking for materials that will withstand the temperatures of 300 to 500 degrees Fahrenheit generated in supersonic flight. It will not be long before they will need products that will withstand 1,000 to 1,500 degrees. Thus a good goal to set before us for the next few years is types of plastics that will function at temperatures up to 2,000 degrees. Markets for such high temperature plastics will certainly not be limited to military uses. There will also be important applications for such materials in industry.

Just as jet planes and missiles call for materials that will resist high temperatures, so does space flight demand those which will do their job at very low temperatures. This is another goal for our research in plastics.

Our third research goal is to develop types which we can produce and sell at lower cost. Although plastics are already beginning to play a significant part in building construction, the really big market still awaits those plastics which can compete with wood and other traditional materials and still carry the advantage of being resistant to weathering, rust, corrosion, rot and cracking.

Meanwhile, our fourth research goal is to keep on multiplying the variety of plastic types to meet new needs and create new markets. As we do this, we shall find plastics competing not only with other materials, but with each other as well.

Room for All Nations

As in all other industries, there is room in this industry for trading our know-how internationally and licensing our patents among each other where there is a mutual advantage. The same applies to opportunities for joint ventures—where a company in one nation can put up patents, know-how and part of the capital required along with the facilities, market and additional capital of a company in another country.

As for the competition among companies in one nation, I for one welcome it; among companies in different nations—we must learn to live with it. I have seen this competition at work here in the United States stimulating us to develop lower cost processes and higher quality products, thus helping us to improve our position not only within the United States but in competition with the rest of the world.

In the future, this world-wide competition will keep United States manufacturers on their toes. This will tend to speed up the development of more automatic processing to obtain lower costs and better quality. For the plastic products with very high volume potential, this is the

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G. A. Hart Elected By Bank of Montreal

MONTREAL, Canada — G. Arnold Hart, General Manager of the Bank of Montreal, has been elected a director and a Vice-President of the bank. He will continue to serve as General Manager. The election was announced following the bank's 141st annual meeting of shareholders.


G. Arnold Hart

Mr. Hart has been General Manager of the bank since Jan. 1, 1957. He began nis banking career 28 years ago in Toronto and has served in Canada and in the United States. During World War II he served with the Canadian Army overseas as a major and was created a Member of the Order of the British Empire (Military Division).

Niebling & Schott With Model, Roland Firm

Model, Roland & Stone, 120 Broadway, New York City, members of the New York Stock Exchange have announced that Robert E. Niebling has become associated with them as director of research in industrial securities, and Werner S. Schott has joined the firm and will be charge of research in oil and gas securities with special emphasis on international developments.

Wallace, Geruldsen Opens N. Y. Office

Wallace, Geruldsen & Co., Chicago investment firm, has announced the opening of their New York office at 111 Broadway. Robert E. Brindley has been appointed manager. Mr. Brindley was formerly with Bache & Co.

Nugent & Igoe to Admit Three Partners

EAST ORANGE, N. J.—On Jan. 1 Nugent & Igoe, 592 Main Street, members of the New York Stock Exchange, will admit Ralph H. Peck, John J. Unkles, Jr. and Martin White, III to partnership.

Ashmore Mitchell V.-P. Of Wm. E. Pollock Co.

Ashmore L. L. Mitchell has been elected a vice-president of Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City.

With Carolina Secs.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—Charles F. Diffendal, Jr., is now with Carolina Securities Corporation, Insurance Building.

Two With Glore, Evans

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Walter M. Daley and Irving G. Searcy have become affiliated with Glore, Evans & Co., 1722 Westwood Boulevard.

Shuman, Agnew Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William F. D. Merrifield has been added to the staff of Shuman, Agnew & Co., 155 Sansome Street, members of the New York and Pacific Coast Stock Exchanges.

From Washington Ahead of the News

By CARLISLE BARGERON

When Congress meets Jan. 7 it will be confronted with just about as grave problems as ever confronted the legislative body. But first, before they are able to undertake any serious business they will spend a month or two bargaining for the Negro vote.


Carlisle Bargeron

First on the calendar will be the effort to change the rules. The effort will be to change the rule under which the Senate has long operated permitting unlimited debate, to provide that debate can be shut off by a mere majority of the senators present. At present it takes two-thirds of the entire membership. To do this it must be held that the Senate is not a continuing body which it unquestionably is, and that new rules must be adopted at the beginning of every session. Unlike the House, one-third of the Senate is elected every two years, the remaining two-thirds carrying on. It was originally intended that the Senate terms of office would be rotated and that the Senate would be a continuing body. Of course, it has the right to change its rules at any time, even in the midst of a session but it is agreed on all sides that this would take a two-thirds majority vote.

It takes only a majority to adopt rules. Therefore, if it is held that rules must be adopted at the beginning of every session only a majority vote will be needed this time. Vice-President Nixon has indicated he would rule that new rules can be adopted from the floor and a vote called in an effort to override him. However, a majority vote will sustain him.

The Senate, throughout history, has priced itself, as a chamber where complete freedom of debate is permitted. It has worked well. In a world where legislative bodies are becoming more and more mere rubber stamps, either by voluntarily giving up their freedom or by bluntly having it taken away, it would seem that this is a very grave action for our Senate to take.

Often the unlimited debate rule has prevented some hastily conceived action which enjoyed an unusual popularity of the moment but which six months later had become a dead issue. Not in all history can it be shown that any important legislation of lasting value has ever been permanently blocked by filibuster. If it has real value it will subsequently be passed. The only time a filibuster will prevail is towards the end of the session. There are limitations to the length of time a filibuster can be sustained.

When the late Senator Taft was leader of the Senate, he broke a determined filibuster by holding the Senate in almost continuous session. At best the filibuster makes the Senators stop and think twice about the action they are about to take. It militates against mob action using steam roller tactics. A filibuster by one man is quite annoying. However, if it has 20 or 25 members engaged in it, the Senate should take it seriously and give serious consideration to whether they wanted to take the action they were bent upon.

Although little publicity has attended it, there is strangely enough action pending in the House to liberalize its rules. Consisting of 435 members (436 with Alaska) the leaders hold it in check, otherwise we would have many crazy laws. Heretofore, this control has been exercised through the Rules Committee. All bills except the run of mine ones pertaining to individual claims against the government, etc, must be cleared by the Rules Committee before they can get to the floor.

The committee is presided over by the old war horse, Representative Howard Smith of Virginia. Smith is supposed to work closely with the House leaders. He is said to have acted high-handed, and now there is a movement in the House to provide that after 15 days the bill can be brought directly before the House. This action, taken in connection with what the Senate plans to do, makes for some wild and wooly legislation ahead of us.

H. R. Gesell With Harriman Ripley Co.

Herbert R. Gesell is now associated with the investment bank-


H. R. Gesell

ing firm of Harriman Ripley & Co., Incorporated, 63 Wall Street, New York City, as a bank stock trader. Mr. Gesell was formerly with Kugel, Stone & Co., Inc.

Dealer-Broker Investment Recommendations & Literature

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

Alaskan Market—Report—J. Walter Thompson Company, 420 Lexington Avenue, New York 17, N. Y.

Atomic Letter No. 43 — Discussing current expenditures on atomic energy and comments on **Baird Atomic Inc., Tracerlab and Pronto Uranium Mines Ltd.**—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Blue Book of Active Copper, Gold, Nickel, Iron and Uranium Stocks — Draper Dobie and Company Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

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

Business & Securities—Analysis of market outlook—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Equities for Investment—List of 231 common stocks which appear favorably situated — Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

How to Use Options—Descriptive booklet—Filer, Schmidt & Co., 120 Broadway, New York 5, N. Y.

Indian Steel Industry — Data — Markisondass Lukhmidass, 5, Hamam Street, Bombay, India. Also in the same bulletin are data on **Tata Locomotive** and **Hindustan Motors.**

Japanese Market—Review of current situation—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same review are brief analyses of **Asahi Breweries, Nippon Hodo, Nikkatsu,** and of the **Japanese Nonferrous Metal Industry.**

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

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

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

Real Estate Bond & Stock Prices—Review—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Revenue Bond Projects—Progress report—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Securities for Christmas—Suggested portfolios—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Soviet Economic Offensive: Its effect on our investments—Study—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

Tax Exempt Bonds and Influence of Population Trends—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Textile Industry—Survey—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Trust Institutions — New edition of directory of active trust departments in United States, including volume of assets, officers in charge of trust and investment divisions, and names of trustee nominees—Fiduciary Publishers, Inc., Dept. D, 50 East 42nd Street, New York 17, N. Y.—Prepublication price, $10 (orders by Dec. 22, 1958).

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Argo Oil—Report—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available is the December Investment letter containing a discussion of "Blue Chip" **Chemicals, U. S. Plywood,** Safeway **Stores, Philip Morris** and **Bausch & Lomb.**

Bank of New York — Bulletin — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Bowling Areanas—Memorandum—James Anthony Securities Corporation, 37 Wall Street, New York 5, N. Y.

Celanese Corp. of America — Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Pacific Cement and Aggregates, Inc.**

Coastal Ship Corporation—Analysis—L. H. Rothchild & Co., 52 Wall Street, New York 5, N. Y.

Cooper Bessemer Corporation—Analysis—Mitchell, Hutchins & Co., 1 Wall Street, New York 5, N. Y.

Eastman Kodak Company—Data—Oppenheimer, Neu & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **General Acceptance Corporation, Pure Oil Company, Southern Railway Company** and **Twentieth Century Fox Film Corporation.**

Erie Railroad—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are analyses of **Schering Corp., Chicago & Southwestern,** and **General Instrument.**

Federal National Mortgage Association — Memorandum — Shields & Company, 44 Wall Street, New York 5, N. Y. Also available is a memorandum on **Outboard Marine Corp.**

Government Development Bank for Puerto Rico—Annual report—Government Development Bank for Puerto Rico, San Juan, P. R.

Iowa Southern Utilities—Analysis—A. G. Becker & Co., Incorporated, 60 Broadway, New York 4, N. Y.

Jones & Laughlin Steel Corporation—Bulletin—Schweickart & Co., 29 Broadway, New York 6, N. Y.

D. S. Kennedy & Co.—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Kewanee Oil—Analysis—Tweedy, Browne & Reilly, 52 Wall Street, New York 5, N. Y.

McCrory Stores—McLellan Merger—Memorandum—Hardy & Co., 30 Broad Street, New York 4, N. Y.

McGregor Doniger, Inc.—Report—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Merritt Chapman & Scott — Memorandum — Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Montgomery Ward—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Pacific Indemnity Company—Analysis—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

Pennsylvania Railroad — Report — Alkow & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Perkin Elmer Corporation—Analysis—Stieglitz & Co., 67 Wall Street, New York 5, N. Y.

Pioneer Natural Gas Co.—Memorandum—Bateman, Eichler & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a memorandum on **Title Insurance & Trust Co.**

Red Owl Stores, Inc.—Study—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Republic National Bank in Dallas—Analysis—Eppler, Guerin & Turner, Inc., Fidelity Union Life Building, Dallas 1, Tex. Also available is an analysis of **Tekoil Corporation.**

Telecomputing Corporation—Analysis—George, O'Neill & Co., Inc., 30 Broad Street, New York 4, N. Y.

Van Raalte Co., Inc.—Analysis—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

$100 Million California Bonds Placed on Market

The Bank of America N. T. & S. A. underwriting syndicate merged with the Bankers Trust Company syndicate to purchase $100 million State of California bonds on Dec. 3. The State sold $50 million construction program bonds and $50 million school building aid bonds at competitive bidding.

The merged syndicate is managed by Bank of America, with Bankers Trust Company acting as joint managers. The Bank of America syndicate includes The First National City Bank of New York; The Chase Manhattan Bank; American Trust Company, San Francisco, and Security First National Bank and California Bank, Los Angeles. The Bankers Trust Company group includes The First National Bank of Chicago and Halsey, Stuart & Co., Inc.

The underwriting group bid a premium of $2,721 for a combination of 5%, 3¾% and 3½% of $50,000,000 State construction program bonds. With a dollar bid of 100.05, the average net interest cost to the State is 3.58%. The bonds were reoffered to investors to yield from 1.80% to 3.65%, according to maturity Dec. 1, 1959-1983.

The group bid a premium of $26,021 for a combination of 5%, 4¾% and 3½% of $50,000,000 State School Building Aid Bonds, or a net interest cost to the State of 3.61%. The dollar bid was 100.052. The bonds were reoffered to yield from 2.45% to 3.65%, according to maturity March 1, 1961-1985. The overall average net interest cost to the state was 3.5968% for the total of $100,000,000 bonds.

The net interest costs to the state of 3.58% and 3.61% compared with 3.23% on the $100 million California veterans bonds sold in July, 1958 and with 2.96% on the $100 million California veterans and school building aid bonds sold in April, 1958.

Proceeds of the construction program bonds will be used to finance major building construction, equipment and site acquisition for departments of the state government. Proceeds of the school building aid bonds will be used to provide aid for school construction in the state. The amounts advanced under the program will be repaid in whole or in part by the school districts receiving aid.

The issues marketed today raised the total of general obligation bonds sold by California in calendar 1958 to $400 million.

Bank of America N. T. & S. A. and the underwriting accounts it manages in the past 12 months have supplied California communities with nearly $725 million for public facilities and civic improvements required by the state's rapidly expanding economy.

The other major members of the syndicate which bought the $100 million State of California bonds today were:

Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Harris Trust and Savings Bank; Smith, Barney & Co.; Lehman Brothers; Kuhn, Loeb & Co.; American Trust Company, San Francisco; Security-First National Bank; California Bank, Los Angeles.

Drexel & Co.; Glore, Forgan & Co.; Chemical Corn Exchange Bank; C. J. Devine & Co.; Continental Illinois National Bank & Trust Company of Chicago; The Northern Trust Company; R. H. Moulton & Company; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Bear, Stearns & Co.

Merrill Lynch, Pierce, Fenner & Smith; Blair & Co. Incorporated; Weeden & Co.; The First National Bank of Boston; The First National Bank of Oregon; The Philadelphia National Bank; Seattle-First National Bank; Equitable Securities Corporation; Stone & Webster Securities Corporation.

Dean Witter & Co.; Phelps, Fenn & Co.; White, Weld & Co.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; Paine, Webber, Jackson & Curtis; Mercantile Trust Company; Lazard Freres & Co.; Shields & Company; Reynolds & Co.

Crocker-Anglo National Bank; J. Barth & Co.; Ladenburg, Thalmann & Co.; John Nuveen & Co. (Incorporated); William R. Staats & Co.; American Securities Corporation; Bache & Co.; Bacon, Whipple & Co.; A. G. Becker & Co. Incorporated; Alex. Brown & Sons; Clark, Dodge & Co.; Dick & Merle-Smith; Dominick & Dominick; Fidelity Union Trust Company, Newark, N. J.

COMING EVENTS

In Investment Field

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

Jan. 16, 1959 (Baltimore, Md.)
Baltimore Security Traders Association 24th annual dinner at the Southern Hotel.

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.

Inflation and Insurance

By F. J. McDIARMID*
Vice-President, Lincoln National Life Insurance Co.
Fort Wayne, Ind.

Mid-west insurance official suggests his industry could profitably utilize equity investments more substantially, particularly stocks, to help offset price inflation and, also, on investment merits alone, aside from inflationary considerations. After reviewing what has happened to money, and not ignoring that inflation must be resisted with all possible means, the executive advises hedging adjustments must be made and he further suggests the industry add to its present offerings policies with benefits tied to equity investments. He illustrates how this can be done with 20-year endowment, 20-payment life and even ordinary policies which would include term reserves invested in traditional fixed dollar media and deferred life reserve invested in equities. Provides thorough analysis of stock performance record and adds warning about problems and pitfalls in handling such investments.

During the first 200 years of its history, life insurance from a technical point of view has consisted very largely of a combination of life contingencies and contractual-type investments. Like most of our other modern financial media, including bonds, mortgages, and preferred stocks, it reached a high stage of development during that rather unique period of human history extending from the Napoleonic Wars to World War I and which had a twilight zone lasting up to World War II. This period was generally one of stable money values in which the currency unit proved to be a reasonably satisfactory unit of account over long periods. In this respect, it differed from nearly all other periods of recorded human history, including the present one.


F. J. McDiarmid

Since 1940 our dollar has lost over half of its value and most other currencies of the world have fared even worse. What is even more serious is the fact that these currencies, including our dollar, show no tendency to regain any appreciable part of their lost value and further loss in their value is considered likely by many students of the subject.

This inflationary trend is something to be resisted by all the means in our power, as in the long run it threatens to destroy our economic and social fabric. However, there does seem to be a case for hedging against its continuance insofar as life insurance is concerned, by making such adjustments in its technical structure as present day conditions seem to require. If the life insurance industry is to continue to fully perform in the future the role which it has performed in the past, then some attempt to merge life contingencies with equity investments, and to depend less exclusively on fixed currency investment media, seems in order. The alternative would seem to be for the business to become increasingly a provider of term insurance, with its savings aspects, which have been very important in the past and very beneficial to our economy as a whole, tending to decline in importance both relatively and perhaps absolutely.

*An address by Mr. McDiarmid before annual meeting of the Society of Actuaries, Cincinnati, Oct. 2, 1958.

Money As a Unit of Account

Money in our society serves two functions — as a medium of exchange and as a unit of account. It may perform the former function satisfactorily while failing at the latter. In life insurance the function of money as a unit of account is of dominating importance.

The technology of life insurance as it has existed up to the present has been based very largely on a combination of life contingencies and contractual-type investments, mainly bonds and mortgage loans. Its structure has been reared on the conscious or unconscious assumption that the currency unit over an extended period of time would provide a reasonably satisfactory measurement of value or purchasing power. This assumption was necessary because in the case of many types of policy contracts long periods of time tend to elapse on average between the collection of premiums and the payment of benefits. Such periods vary greatly with the type of policy contract. In the case of group insurance, or term insurance for relatively short terms, there is little time lag between premium collection and benefit payment. However, for retirement annuity contracts entered into at a relatively early age, this average time lag may cover several decades.

In the case of life insurance other than term, there is a substantial lapse of time on average between receipt of premiums and payment of claims. This time lapse varies with the plan of insurance and age at issue, as is illustrated in Table I. It is greatest with the limited-pay life plans issued at the younger ages. For example, in the case of a 20-payment life policy issued at age 30, a period of about 29 years would elapse on average between payment of premiums and receipt of benefits assuming of course, no lapsation of policies. Such a period is certainly long enough for inflation, even operating at the modest rate of 2% per annum, to reduce the value of a currency unit by 44%. In the case of an ordinary life policy issued at the same age, the corresponding time lapse of about 17 years can be highly significant if it occurs over such a period as 1940 to 1957.

In the case of endowment policies, the average time between payment of premiums and receipt of benefits does not tend to be as long as for the whole life plans. However, since the former are predominantly savings plans, the effect of inflation on their future value tends to be magnified. On the other hand, term plans, even for relatively long terms, show a rather short average time lapse from payment of premiums to receipt of benefits; and the eroding effect of inflation is correspondingly minimized.

In order that the currency unit may serve as a satisfactory unit of account over extended periods, it must maintain its purchasing power within reasonable limits of fluctuation. This means that its value must increase at times as well as decrease, as absolute stability is impossible. It is probably no coincidence that the life insurance business as we know it today had its origin and reached maturity during one of the few long periods in recorded history when money fairly well maintained its value.

A meaningful measurement of the value of money over an extremely long period is difficult to obtain. However, the price of gold in shillings per fine ounce from the 13th Century onward had remarkable stability in price from the year 1700 to 1931, except for the Napoleonic Wars and World War I.[1] It is notable that this stability had existed for over two generations when the Old Equitable, the first old line legal reserve life insurance company, was founded in London in 1760.

The record of prices in the United States is necessarily shorter. Indices of wholesale prices for 30 basic commodities, published by the United States Department of Commerce, present a record from 1800 to 1930. These indices for certain years over this period are presented in Table II.

[1] Twenty-First Annual Report of Bank for International Settlements.

TABLE I

Average Elapsed Time From Issuance of Policy to Payment of Premiums and Receipts of Benefits

(Based on Commissioners' Standard Ordinary Mortality Table)

Plan	Age at Issue	—Average Elapsed Time From Issue— To Payment of Premiums (years)	To Receipt of Benefits (years)	Difference (years)
Ordinary Life	30	21.1	38.2	17.1
	45	14.9	25.7	10.8
20-Pay Life	30	9.3	38.2	28.9
	45	8.9	25.7	16.8
20-Year Endowment	30	9.3	19.1	9.8
	45	8.9	17.5	8.6
30-Year Endowment	30	13.8	27.3	13.5
	45	12.5	23.0	10.5
30-Year Term	30	13.8	19.7	5.9
	45	12.5	18.9	6.4

TABLE II

Wholesale Price Index of 30 Basic Commodities

(1910-14=100)

1800	133
1810	145
1814	*221
1820	114
1830	98
1840	97
1850	88
1860	102
1864	*253
1870	143
1880	104
1890	83
1900	86
1910	102
1920	†231
1930	118

*Wartime high. †Postwar high.

SOURCE: Warren and Pearson, published in U. S. Department of Commerce Supplement to Statistical Abstract.

This set of index numbers covering 30 basic commodities rather closely parallels certain other indices purported to cover a wider range of items. It, therefore, probably expresses in satisfactory measure the major price movements during the period.

The most striking conclusion to be drawn from this data is that after major wars in the past,

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The Business Outlook

By AVRAM KISSELGOFF*
Economist, Allied Chemical & Dye Corp., New York City

Business economist raises the *possibility* that the recovery may run out of steam before a full fledged expansion develops in depicting the *probability* that economic activity will advance to higher levels on into 1959. With rising incomes, Mr. Kisselgoff envisions accompanying faster increase in consumer durable goods than in nondurables and services. Foresees overall construction expenditures advancing moderately, government spending moving up, and moderate accumulation of inventory stocks commencing in first half of 1959. Notes recovery is occurring with capacity greater in relation to output at the peak of the latest expansion than in previous declines, and without past housing and consumer demand exuberance. Looks to new investment boom to keep us from serious trouble in the not too distant future.

Any appraisal of the current economic situation and future business prospects cannot be made without reference to the recession that became evident in the fall of last year and certain developments that preceded it.

Dr. Avram Kisselgoff

As a matter of fact, important corrective processes could have been observed as early as in 1956. Following an expansion of boom dimension in business during 1955, two industries which had provided a major stimulus to the upswing, showed a substantial reduction in output during 1956. The automobile industry, after producing 7.9 million passenger cars in 1955, turned out only 5.8 million in 1956, a decrease of 27%. Construction of houses fell from a level of 1,330,000 units in 1955 to 1,120,000 units in 1956, a 16% drop.

Under other circumstances, such pronounced downward movements in these two key segments of the economy could have led to a contraction in general business activity. Such a contraction, however, did not develop, primarily due to a sharp rise of about 22% in plant and equipment expenditures in 1956, which increased throughout the year, and the continued expansion in consumers' outlays on nondurables and services. The conflicting trends in the economy resulted in a retardation in the rate of growth of Gross National Product during the first three quarters of 1956. They also brought about some decline in total industrial output, which, when measured by the Federal Reserve index of production, edged down from 144 in December, 1955, to 142 in June, 1956. In July of that year output dropped further to 137, mainly because of the nation-wide steel strike. In the final quarter of 1956, the pace of business showed acceleration with production rising to a level of 145 on the average.

This advance, however, did not represent a new phase of cyclical expansion but rather was a reflection of the combined influence of the rise in exports due to the Suez situation, an increase to full capacity operations in the steel industry to compensate for reduced output during the steel strike, the continued advance in outlays for plant and equipment and a significant increase in government expenditures.

The adjustment, interrupted by the fourth quarter upsurge in activity, resumed early in 1957. The first nine months of last year were characterized, after allowance for price increases, by a slight decline in business capital spending, a sharp drop in the rate of inventory accumulation and a downward movement in the volume of new construction. Total retail sales, adjusted for higher prices, registered only a slight increase during the period. Despite the weaknesses in the economy, general business activity was able to edge up as the declines in various sectors were more than offset through an expansion in consumer purchases of services and an increase in expenditures by state and local governments.

Summer's End in 1957

By the end of the summer of last year the deflationary forces became predominant in the economy and general business activity turned down. Output, employment, and incomes receded from their record levels and unemployment advanced. Over a period of six months since the beginning of the contraction in the July-September period, Gross National Product dropped by more than 4%. The main factor contributing to this decline was a shift in the inventory policy. Business, which added to its stocks at a seasonally adjusted annual rate of $2 billion in the third quarter of last year, was cutting inventories at about a $10 billion rate in the first quarter, 1958. This swing from accumulation to liquidation of stocks, reduced the demand for goods by approximately $12 billion with the corresponding dampening effect on industrial output. Another major decline occurred in total expenditures on plant and equipment which dropped by $5 billion or 14% during the same period. Consumer outlays on durable goods were down $4 billion or 10% and net foreign investment, $3 billion or 85%.

These substantial decreases in activity were partly counterbalanced by a continued moderate rise in consumer spending on services of about $3 billion and a further advance in state and local government outlays of $2.5 billion. Expenditures on consumer nondurables, new construction and purchases of goods and services by the Federal Government showed practically no change between the third quarter, 1957, and the second quarter of this year.

Reflecting recessionary influences in the economy, industrial output fell sharply from its last high of 145 in August, 1957 to 126 in April, a 13% drop. Although the contraction was broadly based, it was primarily concentrated in the industries producing durable goods.

The general deterioration in business activity and the adjustments preceding it were accompanied by a drop in employment. Total civilian jobs, seasonally adjusted, began to fall last July reaching their trough in February of this year. The number of people occupied in manufacturing, on the decrease since the end of 1956, was at its low point in May, when it stood at 15.0 million, 2.0 million or 12% less than in January of last year. Unemployment rose from 2.6 million in August 1957 or 4.3% of the labor force to its peak of 5.2 million in April or 7.5%, after accounting for seasonal changes. Following some decrease in May and June, the proportion of unemployed advanced to 7.3% in July and further in August to 7.6%, a larger jobless percentage of the labor force than at any time during the 1949 or 1954 recessions. In September, the ratio, reflecting a decline in unemployment, stood at 7.2%.

Spring 1958 Improvement

In the spring business activity in the aggregate showed some improvement. Gross National Product in the second quarter made a moderate advance of $3 billion from its low of $426 billion reached in the January-March period. This increase was caused mainly by a rise in government expenditures—Federal, state and local, a decline in the rate of inventory liquidation and an expansion in consumer spending on nondurables and services. All other major components of Gross National Product either continued to decline or remained unchanged. In the third quarter expansion in Gross National Product accelerated, reaching a rate of $440 billion. Activity in the areas which registered gains in the second quarter continued to increase during July-September. Advances also occurred in two new areas: consumer durable goods and nonfarm residential construction.

Stimulated by the slackening pace of inventory reduction, an acceleration in awards of defense contracts and some increase in the flow of new business from other areas of economic activity, industrial production rose from the spring low of 126 to 137 in September. This was a level higher than in December of last year, but still 6 points below the level in September of 1957. The rapid recovery in output has been widespread and particularly pronounced in the durable-goods industries, which experienced the brunt of the recession.

With gains in production, employment has expanded, hours of work have lengthened and personal income has advanced to all-time highs.

The prevailing opinion among economists is that recovery from the business recession is firmly under way. Only a few analysts consider it unsustainable. The real question is whether recovery will be completed in a short period of time and whether it will be followed by a vigorous expansion. A brief discussion of the reasons for the current recession may be helpful in attempting to answer the question.

Explains Recent Recession

Although the recession, as all economic situations, was a result of a multitude of forces at work, the major factor that caused it seems to be an imbalance between productive capacity and output. This disproportion is directly related to the preceding boom. The cyclical upswing in 1955-56 started with a spectacular rise in the demand for houses and automobiles which rapidly spread to other consumer goods. The strong upturn in personal consumption expenditures was accompanied by a swing from liquidation to accumulation of inventories at a high rate.

When operations in most industries began to reach advanced levels of utilization of capacity in 1955, business set out on a massive investment program to keep pace with expected growth. Funds made available through greater profits, rising depreciation allowances (in particular, because of an accelerated rate of depreciation under the Revenue Act of 1954) and easy borrowing, facilitated the financing of expansion and modernization programs. As a result, the rate of outlays for new plant and equipment advanced from the recession low in the first quarter, 1955, to its peak in the third quarter, 1957, by about 50%, when measured in current dollars. In the third quarter of last year, the rate of capital spending also stood at 30% above the proceding peak in 1953. Available estimates indicate that these expenditures resulted in an increase of about 12% in manufacturing capacity between 1955 and 1957.

Changed Capital Spending

While industry was expanding its productive capacity, output of goods showed little change. The Federal Reserve index of industrial production, after reaching 144 in December, 1955, averaged 143 for 1956 and 145 for the eight months of 1957. The failure of demand to keep pace with the growth in business fixed investment, led to the appearance of substantial excess productive capacity in any major industries. Their expectations dampened, businessmen started to revise investment programs downward.

Published data on appropriations suggest that decisions to cut expenditures on plant and equipment were made some time in the second half of 1956 by producers of consumer durable goods and in early 1957 by producers of consumer nondurable goods. Actual aggregate capital outlays began to decline only in the third quarter of 1957. In addition to excess capacity other factors contributed to the downward revision of business investment programs. The most important of them were shrinking profit margins, reduced liquidity of corporations, high costs of equipment and construction, and restrictions on the availability of bank credit. To a certain degree, these unfavorable influences were produced by the high rate of investment itself.

The adjustment of capital programs to more realistic levels of activity and the recognition on the part of business that the expected pace of growth in consumer demand for durables may have been overestimated, caused inventory liquidation, which ran in the first and the second quarters of this year at an unprecedented rate.

Capital Spending Prospects

What are the prospects that the trend in capital spending will reverse itself in the near future? According to the latest survey on business intentions by the Department of Commerce and the Securities and Exchange Commission, the drop in expenditures on plant and equipment ended last quarter. In the closing months of the year expenditures are expected to show a slight rise. On the assumption that the investment outlays have reached their low point in this recession, the total decrease in such spending from the preceding high in the third quarter of last year will be 20%. In the recession of 1948-49, which was characterized by a considerable shortage of productive capacity in many areas, and that of 1953-54, capital expenditures, when measured from peak to trough, fell 20% and 11%, respectively.

The duration of the decrease in capital investment during the current business contraction, if the latest projections are accurate, would extend over only three quarters, compared with four quarters in 1948-49 and six quarters in 1953-54. Since even at the lowest point of this recession, business is spending on plant and equipment at an annual rate of $30 billion, of which a significant portion represents expansion in capacity, it is difficult to visualize, after only three quarters of contraction, an early resumption of the rise in capital expenditures on a large scale, unless there is a considerable increase in demands in other areas of economic activity. This increase must be of a size that would not only redress the lack of balance between output and capacity, which existed before the recession but also would create an incentive for a further rise in capital spending.

The consumer sector of the economy, accounting for about 65% of gross national product, has shown great stability since the beginning of the recession. Even in the worst stage of it, the first quarter of this year, total consumer expenditures did not decrease below its peak by more than 1%. This stability in the aggregate has been a result, however, of a significant decline in the purchases of consumer durable goods, especially automobiles, and a steady increase in services. Spending on nondurables has advanced moderately during the same period, except for a slight dip in the first quarter.

According to the preliminary data on gross national product for the third quarter, contraction ceased even in spending on durables. The ability of consumers to maintain their flow of expenditures on a high level was primarily due to the fact that personal income held up surprisingly well during the recession, as the decrease in wage earnings was to a great extent offset by unemployment compensation and higher retirement benefits as well as by the improvement in farm income. More recently, personal income has been boosted by raises in Federal civilian and military pay. To support their purchases many consumers also drew on their savings.

Skeptical of Consumer Initiative

There is little indication that consumers have been playing a leading role in the current recovery and are ready to go on a spree as in the recoveries of 1949 and 1954 when there was still a substantial unsatisfied deferred demand and consumer indebtedness was low. Consumers entered the recession in 1957 well stocked with durable goods and heavily indebted. After eight months of business contraction, the relation of consumer debt to consumer income, though somewhat improved by smaller borrowing on instalment this year, continued to be close to that prevailing at any time before 1957.

Whether consumer purchases will make important new gains in the coming months will depend largely on the extent to which consumers will be willing and able to contract additional debt. The fact that disposable income per capita, after adjustment for rising prices, showed a decline in April-June for the fourth successive quarter is not encouraging in this respect. The advance which took place in the third quarter does not modify the general picture since it covers only a short period of time. Also little stimulation may be expected to come from instalment sales credit terms, since for practical purposes their liberalization cannot be carried further.

With rising income, however, consumers will, probably, increase the rate of their expenditures on durables to a greater degree than on nondurables and services since these were not reduced in the recession. The outlook is that, although consumer purchases in the aggregate will continue to show improvement in the near future, they will lack much buoyancy.

Moderate Construction Advance

Construction expenditures, another important area of economic activity, for the first ten months of 1958, exhibited little change in real terms from the corresponding period of 1957. These expenditures are expected to advance moderately in the remainder of

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*Remarks of Mr. Kisselgoff at the Sixth Annual Conference of the Economic Outlook, University of Michigan, Ann Arbor, Mich.

Crisis in Government Bonds Requires a Balanced Budget

By H. L. SPENCER
Pasadena, California

California contributor sees in the recent dumping of government securities a "decline in confidence in the long-term credit of the Government of the United States" and hopes it will "serve to convince even the most naive and optimistic that there is a bottom to the barrel of unlimited spending and debt." Agrees it is nothing less than foolhardy to continue our vast splurge in foreign aid and welfare spending beyond our tax revenue ability.

In the October issue of "Reader's Digest" U. S. Senator Harry F. Byrd of Virginia has set out some pretty grim figures on Federal debt, spending and inflation. The Senator knows his subject. As Chairman of the Senate Finance Committee he holds one of the most important financial posts in our government and fully qualifies as an expert. His long experience in Congress, since 1933, gives him a background of knowledge of the affairs of government possessed by few men in Washington today. His unquestioned integrity entitle his opinion to our utmost respect.

H. L. Spencer

The Senator proposes, as a first step toward solution of the whole confusing problem of debt, spending and inflation, that Congress must forthwith proceed to balance the budget and thereafter keep it in balance. He maintains that inflation will never be controlled until that is done.

He also points out that, in addition to the officially admitted Federal debt soon to approximate the astronomical figure of $300 billion, we have assumed an additional contingent debt liability of more than $250 billion on account of expenditures guaranteed and insured by the government. Since the Commerce Department openly admitted this spring that the Public and Private Debt of the United States in 1957 amounted to $726 billion, it would appear that the Senator's figures may be on the conservative side.

Three-Quarters of a Trillion Dollars

In any event, the existence of the fantastic sum of nearly three-quarters of a trillion dollars of debt in this country should be good reason for thoughtful and responsible members of the next Congress to stop, look and listen to advice on this subject from one of the best informed men in America today.

For those interested in economy Senator Byrd outlines six different lines of attack on spending, each capable of producing great savings. But he places special emphasis on the apparently interminable problem of foreign aid. He estimates that in 11 years expenditures for this purpose have amounted to $75 billion, divided into $22.5 billion for military assistance and $52.5 billion for economic aid. He advises that economic aid should be terminated and that military help be tapered off.

Compares Foreign Indebtedness With Ours

Since a start toward a more realistic program of fiscal sanity has to begin somewhere and since the subject of foreign aid appears to excite greater public resentment than most other forms of spending, this writer has been tempted to do a little research on the debt status of some of our more prominent relief clients abroad as compared with our own. The United Nations Year Book for 1957, pages 519-562, provides authentic information as to the Public Debt of member nations in their own currencies. These figures, converted into dollars at the foreign exchange rates in effect on Oct. 8, 1958, give the latest information available as to the public debts of the following nations:

	As of	
United Kingdom	1956	$76,222,800,000
France	1956	15,280,560,000
Italy	1957	7,635,840,000
Netherlands	1956	4,753,707,000
Germany	1957	4,511,465,000
India	1957	8,965,152,000
Brazil	1954	257,162,000
Japan	1957	1,235,000,000
U. S. Treasury Statement October 14	1958	280,445,213,353
U. S. Contingent Debt (Senator Byrd)	1958	250,000,000,000
U. S. Public & Private Debt (Dept. Com.)	1957	726,000,000,000

To many of our overburdened taxpayers the above figures will appear shocking. They will be particularly so to young people just starting out in life, who have taken on a heavy load of installment debt and who, after taxes, find there is little chance to get ahead. "Why," they ask, "should we be called upon to contribute more than 25% of our hard earned dollars to help support other nations whose debt is only a minor fraction of our own?" To others, however, who feel they are profiting from inflation, the reaction may be, "So what? We are still the richest nation in the world. We can afford it." And to those who have a Keynesian bent in economics the magnitude of U. S. debt will not appear important because "We owe it to ourselves." Unfortunately, debt does become important, even acutely so, at the time it must be paid or refunded.

Sudden Dumping of Governments

One feature of Senator Byrd's fine and honest statement is that it was probably written before the recent rather frightening near failure in the government bond market. In the last few months something approaching panic has occurred. Large holders of government securities have dumped them into a market that had no support from the Federal Reserve Board or anyone else. There was a sudden realization of the inflationary effect of a great Federal deficit for 1959 deliberately created by Congressional approval of spending some $12 billion in excess of prospective revenue. This has caused a public loss of confidence in the financial intelligence and integrity of Congress which has reflected adversely on the credit of our government except on a very short-term basis. The October refunding operation of the Treasury had, of necessity, to be carried out through use of only the shortest term securities.

This sudden decline in confidence in the long-term credit of the Government of the United States is a serious matter. It may well mark the end of that period during which inflation has not been a critical question in this country. It must serve to convince even the most naive and optimistic that there is a bottom to the barrel of unlimited spending and debt. Congress has clearly overloaded the Treasury Department with obligations to raise new money beyond its ability to market its securities on any reasonable cost basis and Secretary Anderson, with some $70 billion coming due in the next 12 months, has a rugged problem on his hands. In the face of these hard facts, in effect a crisis in confidence, it is nothing less than foolhardy to continue our vast splurge in foreign aid and welfare state spending beyond our ability to pay for it in taxes.

U.S.S.R.'s Plan

In the face of a certain degree of stalemate in the armaments race between the U. S. and the Soviets, the latter have now turned toward economic warfare pressures as more promising of results. (Demaree Bess, "Saturday Evening Post," Oct. 18, 1958). They hope to push the United States into acceptance of still more costly responsibilities all over the world, thereby causing a debilitating drain on our economy.

The Russians have become expert in the use of inflation as a frightful weapon of economic warfare. As inflation has brought about economic paralysis and complete loss of security, Communism has moved in. We have seen this happen to Russia itself in 1917, to the nations of eastern Europe and to China since the last war. France has approached the brink of disaster — many other nations are in dangerous condition.

But what of Russia? According to Mr. Bess, who served as an American correspondent in Russia for many years, ever since 1936 "Soviet economists have stubbornly clung to such old fashioned notions as balanced budgets and sound money." Debauchery of currencies abroad through inflation but use of orthodox capitalistic principles at home is the Communist prescription for winning the cold war via economic warfare. If our luxury loving, unthinking and careless people permit that to happen here in America there will be no need for intercontinental missiles.

All those pressure groups, special interests and so called "liberal" politicians who urge more and more government spending are playing a deadly game of Russian roulette with the safety of this country at stake. When they proclaim from the housetops that more inflation is not only inevitable but desirable —when they claim that the rotting dollar will some day be worth no more than a dime and cast aspersions on the obligations of our government, they are, in effect, selling the United States short and creating that very climate in which rabid inflation flourishes. Thoughtless acceptance of a made in Russia program for the United States of America would be tragic.

Finds We Have Been Warned

Let no one say that Senator Byrd and Demaree Bess have not made a sincere and powerful effort to warn us. The Senator's admonition, "to balance the Federal budget and assure our people that it will stay balanced" is a notice to all of us, and in particular to members of the next Congress, which we can afford to neglect only at very great risk to the future welfare and safety of the greatest experiment in human, economic and political freedom that ever existed.

In this post-election period, when so many political crystal ball experts are trying to figure out what happened to the Republican party, this thought may be worth consideration: That people all over the country are confused and dissatisfied by the fear and tensions created as we have awkwardly scrambled from the brink of war to the much more dangerous brink of national bankruptcy —that, in consequence, they have lost faith in the wisdom and good judgment of those to whom has been entrusted the management of this great nation. Under those conditions, a vote of NO CONFIDENCE was inevitable.

McKelvy Opens Branch

CHARLEROI, Pa.—McKelvy & Company of Pittsburgh, members of the New York and Pittsburgh Stock Exchanges, has opened a branch office in the First National Bank Building under the management of Robert C. Arthurs.

Oppenheimer, Neu Co. Is New Firm Name

Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York City, members of the New York Stock Exchange and American Stock Exchange have announced that effective Dec. 1, the firm's business will be conducted under the name of Oppenheimer, Neu & Co. The partnership roster and management of the firm will remain unchanged.

Inv. Ass'n of New York Annual Dinner Dec. 10

The Investment Association of New York will hold its annual dinner Dec. 10 at the Waldorf-Astoria Hotel. Cocktails will be served from 6 to 7 p.m. in the Palm Room, to be followed by dinner at 7.

Guest speaker will be Admiral Charles R. Brown, U. S. N. Commander-in-Chief of the Allied Forces in Southern Europe.

Bacon, Whipple to Admit New Partner

CHICAGO, Ill.—James D. Stetson Coleman will be admitted to partnership in Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges, on Jan. 1.

Midland Secs. Branches

ORLANDO, Fla.—Midland Securities Company, Inc. has opened a branch office at 51-53 East Robinson under the management of Emory L. Kendrick. Mr. Kendrick was formerly President of the First Florida Investors Incorporated.

Midland Securities has also opened a branch at 103 South Sixth Street, Leesburg, Fla., under the management of Floyd N. Shaver. Mr. Shaver was formerly resident manager for First Florida Investors.

Three With Yerke

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Wendell E. Mink, Harry H. Naugle and David W. Patch have become affiliated with Marvin C. Yerke and Associates, Inc., 40 West Broad Street.

FNMA's Role in Today's Mortgage Market

By J. STANLEY BAUGHMAN*
President, Federal National Mortgage Association
Washington, D. C.

The complete reversal in the mortgage market situation, contradictory outlook regarding mortgages, and a brief review of overall Fannie May activities, are topics discussed by an expert conversant with subject first hand. Mr. Baughman's comments about FNMA deal with: (1) prospect that it will again become a volume purchaser; (2) its ability to increase present purchasing potential of $1.46 billion by sale of additional common stock subscriptions, additions to surplus and proceeds of portfolio liquidation; (3) attractiveness of FNMA Purchase Option Plan despite current conditions; and (4) extent of its Special Assistance Functions. Advises builders and lenders that competition for investment funds is and will be keen and that private enterprise needs to become more realistic and better prepared to live with the times.

Our discussion occurs in an atmosphere of considerable confusion as far as housing and its financing is concerned. During a period of just one year the mortgage business has turned a complete cycle. A year ago home financing was extremely tight. Then followed several months of ease characterized by downward interest rates, a better supply of funds offered by investors competing for home mortgages, decreasing discounts for FHA and VA mortgages, and favorable selling terms —in short, a sort of paradise for builders and their associates in the housing business. Now, we appear to be getting back to just about where we were this time a year ago.

J. Stanley Baughman

The situation today is very uncertain, to say the least. Some experts tell us that we can expect the present trend of rising financing costs, increasing yield demands and larger FHA and VA discounts to continue for some time—or to state it a little differently — conditions will get worse before they become better. Others, however, are more optimistic and regard the present situation as merely transitory. One thing is clear. There is a big unsatisfied demand for low and moderate priced housing. It is housing's business to devise ways and means of satisfying this demand. The real estate profession represents a very vital link in the chain between home construction and ultimate home ownership.

With these comments as background, I will review briefly what FNMA has done — and is doing. Prospects are excellent for a high volume of housing starts this year and we in FNMA are proud of the part the Association is playing in bringing about this situation.

Management and Liquidating Functions

The Management and Liquidating Functions deal with the disposition of the old FNMA portfolio acquired under contracts made before November, 1954. Purchasing was completed a little over a year ago and altogether has totaled $4 billion 964 million. During the last four years liquidation has proceeded at a good rate, the portfolio and purchasing liability having been reduced by about 30% during that time. So far this year about 6% of the portfolio on hand at the end of 1957 has been liquidated, including sales of $3 million. At the present time about 37% of the portfolio is financed with private funds.

Secondary Market Operations

The FNMA Secondary Market Operations have proved to be a fairly accurate barometer of prevailing market conditions. A year ago, when financing was tight, the Association was purchasing mortgages in heavy volume; in turn, when mortgage credit eased, purchasing declined and it became a sizable seller. Present indications are that it will again become a volume purchaser. Reflecting these conditions, FNMA's average monthly secondary market offerings during the last half of 1957 were about 6,200 and purchases averaged about $68 million; the mortgage situation during the first and second quarters of 1958 improved considerably and the need for FNMA as a source of liquidity decreased — thus offerings in the first quarter averaged 2,700 per month and only 1,100 during the second quarter. Offerings during the third quarter totaled 3,503 and 1,905 of these were received in September. Offers in October alone exceeded the total received during the entire third quarter. Purchases amounted to $131 million during the first quarter of 1958, $43 million in the second quarter, and dropped to $22 million during the third, the lowest since the third quarter of 1955.

As might be expected, FNMA's record of sales also reflected changing market conditions. Sales during the last half of 1957 were less than $200 thousand; during the next six months they totaled $393 million but in the last quarter they fell to $69 million. A sizable volume of the FNMA mortgages was purchased by local banks and savings and loan associations having funds to invest in their community's housing.

The $1 billion FNMA Special Assistance Program for low and moderate priced housing, or Program Number 10 as it is better known, expired at a time when the mortgage market for a variety of reasons was becoming tight. The termination of that program does not mean, of course, that the Association will be unable to provide a measure of liquidity to sellers needing FNMA's assistance. Treasury subscribed preferred stock, together with FNMA common stock and surplus, has provided the Association with a total purchasing potential of more than $2 billion 925 million. Of this purchasing potential, the Association now has about $1 billion 460 million available for additional purchases and standby commitments. This will be further increased by additional common stock subscriptions and additions to surplus, as well as by the proceeds of portfolio liquidation.

Standby Procedures

A few words about FNMA's standby procedure are especially in order at this time because during this period of unsettled market conditions that procedure can help meet the needs of both builders and lenders. Under this procedure, FNMA issues advance commitments to purchase marketable mortgages at prices which are sufficient to facilitate advance planning of home construction but which are sufficiently below the Association's regular secondary market prices as to prevent excessive sales to the Association under the commitments. For a commitment fee of 1% and the purchase of one-half of one percent in FNMA common stock sellers can obtain a one year commitment under which the mortgage can be sold to FNMA or to some other investor as seller may elect. Prior approval of credit may be obtained if desired. If the mortgage is sold to the Association under the contract, 1½% of additional common stock must be purchased but no other fees are charged. Sellers may also elect to sell the mortgages to the Association on an immediate purchase basis subject to the payment of the required Purchase and Marketing Fee of one-half of one percent and the usual 2% common stock subscription.

I should like to recommend for consideration the FNMA Purchase Option Plan. Although at first glance the procedure may not appear to be attractive in view of current market conditions, real estate men will recall that similar conditions existed last year and later changed very materially. Some of the sellers that had utilized the option plan enjoyed very substantial advantages thereby. The procedure works like this: FNMA purchases mortgages from sellers at FNMA's current prices in its usual manner, but also, concurrently, permits the seller to obtain a nine-month option under which they may repurchase the same mortgage at the FNMA purchase price. The purchase price is the same without regard to whether the seller obtains a purchase option as a part of the transaction. Sellers wishing to obtain a purchase option are charged a purchase option fee equal to one-half of one percent of the unpaid principal amount of the mortgages involved and, in addition, the usual Purchase and Marketing Fee and common stock subscription requirements must be observed. This plan enables sellers to raise immediate cash on their mortgages in larger amounts than are available under customary borrowing arrangements, and also gives them an additional period of time in which they can seek to sell the FNMA-owned mortgages elsewhere.

While FNMA will, to the extent of its ability and in response to sellers' needs, strive to provide liquidity for home mortgage investments through its purchasing program, FNMA's Secondary Market Operations must not, however, be considered only in relationship to its purchasing activities; if the Association is to continue to be useful to the mortgage industry, it must also sell mortgages. Unless the Association can sell as well as buy mortgages, its portfolio will not revolve and the effectiveness of its Secondary Market Operations will, for all practical purposes, be materially diminished or will cease entirely. The more than $1 billion 300 million FNMA portfolio affords local banks and savings and loan associations an excellent opportunity to meet their investment needs and simultaneously serve the communities in which they do business.

Special Assistance Functions

These activities furnish assistance for financing special housing programs designed to provide housing of acceptable standards at full economic costs for segments of the national population which are unable to obtain housing under established home financing programs. They may also be used to finance home mortgages generally as a means of retarding of stopping a decline in mortgage lending and home building activites which threatens materially the stability of a high level national economy.

Two events of major importance affecting the FNMA Special Assistance Functions occurred during 1958. These were (1) the enactment of the Emergency Housing Act of 1958 under which FNMA's special assistance funds under direction of the President were increased by $500 million, the title VIII authorization was increased by $50 million and a new $1 billion program for low and moderate priced housing was established, and (2) the par purchase price provisions of the special assistance legislation expired. The Association revised its special assistance prices shortly after it was definitely certain that par purchase price legislation would not be re-enacted. Compared with current market conditions, FNMA's revised special assistance prices, although less than par, are, nevertheless, in the upper range of the market and in some cases are above the prices being paid generally by private investors for comparable mortgages.

I realize that some may be in favor of FNMA paying par prices for its special assistance mortgages. I would like, however, to say a few words for the other side. As you may know, the Administration has consistently taken the position that FNMA's Special Assistance Functions, which are financed with Treasury funds, should supplement and encourage private financing in the home construction field and should not supplant such financing. In the circumstances, when mortgages are valued by the market at less than par, the continuation of FNMA par purchase prices together with the statutory controls on fees and charges make it impracticable for private investors to compete in the purchase of even the more desirable of the mortgages eligible for FNMA special assistance. It is quite clear in the long run more funds should be available for the selected categories of housing mortgages if private capital were actively encouraged to invest in, and became familiar with, such mortgages.

In regard to the recent change in FNMA's special assistance prices and current market conditions, I think it may be appropriate to suggest that builders, lenders, and realtors make sure that they have not been lulled into an attitude of complacency by the easy mortgage market of a few months ago, lower interest rates, decreased investor selectivity, and, what is more important, the prices FNMA was required to pay for its Program Number 10 and other special assistance mortgages. It seems to me that builders and lenders must recognize that competition for investment funds is and will continue to be keen and, that unless the Government is to become the major factor in the housing field, private enterprise will need to become more realistic and better prepared to live with the times.

1958 Authorizations

The 1958 legislation increased the Association's authority to expend special assistance funds under direction of the President by $500 million to $950 million to help finance specific programs approved by him. About $523 million of these funds has already been authorized by the President for use in financing the following special programs: (1) For victims of major disasters ($10 million); (2) in Guam ($7.5 million); (3) for Urban Renewal ($400 million); (4) in Alaska ($20 million); (5) for military and defense personnel ($11 million); (6) for Elderly Persons ($70 million); and (7) for low cost housing ($4 million). The latter program was initially approved for $200 million but was subsequently reduced by $196 million and terminated on April 4 since the mortgages covered by this program were included in the low and moderate priced housing program authorized by the Emergency Housing Act of 1958. Of these programs, those pertaining to Urban Renewal and Housing for the Elderly are probably of most interest ot realtors. I suggest that you investigate the possibilities of these programs in your operations.

In addition to the programs approved by the President, the Congress has authorized FNMA to purchase $200 million of Cooperative housing mortgages, $1 billion for low and moderate priced housing mortgages of $13,500 or less and $500 million for armed services housing mortgages; of the latter authorization not less than $58,750,000 was reserved for FHA Section 809 mortgages (housing for civilian employees connected with a military research or development installation). About $37 million remains available for commitments to purchase consumer type mortgages and approximately $40 million is currently available for Section 809 mortgages.

The entire $1 billion authorized for the low and moderate priced housing program has been committed. Under this program, FNMA issued commitments to purchase 82,996 mortgages which provide for the construction of 82,996 units of new housing in 1,550 different communities located in 43 states, Hawaii, and Puerto Rico. This program is playing a significant part in the housing revival of 1958 and in providing a wide base on which the housing business as a whole can build. Incidentally, these commitments will not be extended, but sellers many offer the mortgages to the Association for purchase under its Secondary Market Operations if they are unable to deliver them under the contracts within the commitment periods.

Under all of its Special Assistance Functions, the Association in 1958 entered into immediate purchase or advance commitment contracts aggregating $1,304 million and purchased mortgages totaling $182 million.

The Association has unquestionably provided for many builders, brokers, home financing organizations, and home buyers a supplementary source of mortgage funds without which much new housing construction and many home sales could not have been accomplished. The extent of the Association's assistance in all of its activities to the housing industry during 1958 is reflected in the Association's purchases totaling $385 million and $1 billion 488 million of commitments issued for the purchase of mortgages.

*Remarks of Mr. Baughman before the National Association of Real Estate Boards, San Francisco, Calif., Nov. 10, 1958.

Three With Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — G. Blake Calder, Robert D. Clampett, Austin C. Dowling, and S. Ray Huntington have become associated with Schwabacher & Co., 100 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Calder was formerly with Mason Brothers. Mr. Clampett was with Denault & Co.

C. O. Williams Opens

JENA, La.—Charles O. Williams is engaging in a securities business from offices here.

Competitiveness of Oil Shale With Crude Petroleum

By DR. CHARLES H. PRIEN*
Head, Chemical Division, Denver Research Institute
University of Denver, Colorado

Recognized authority deems commercial cost of procuring oil from America's huge untapped oil shale deposits is presently competitive with posted crude petroleum prices at a reasonable rate of return on investment. In submitting evidence to support claim made that we can create this entirely new industry, Dr. Prien reminds us we are changing from an oil surplus to an oil deficit position and, from a defense point of view, is mindful that U.S.S.R. is conducting far more fundamental research on oil shale than we are. After summarizing processes producing oil from shale, including the Union Oil Company and the Aspeco processes, the scientist states we desperately need still more basic, fundamental research. Notes, further, that our untapped reserve is equal in size to the Middle East's and we, thus, can do much to alter and strengthen our foreign policy with respect to the Middle East.

The oil shale deposits of the western United States are one of the greatest energy sources still untapped in this country. According to a recent report of the National Planning Association, United States energy requirements will double in the next 20-25 years. It is reasonable to expect that this vast idle natural resource — OIL SHALE — will be required to meet a portion of this enormous new energy demand.


Dr. Charles H. Prien

Adequate details hereon are available in the literature. It is sufficient to state that the USGS estimates these total reserves to be over 1,500 billion barrels, which is well over 12 times all the petroleum ever extracted from the ground anywhere in the world since the first well was drilled.

Commercially Mineable Today

Even restricting our thinking to the rich Mahogany Ledge strata of these reserves—a strata deemed commercially mineable today and yielding an average of 25 gallons of oil per ton—we have over 200 billion barrels of oil available. Such a 200-billion-barrel-oil reserve, incidentally, is approximately the size of the total Middle East petroleum reserves that are of such great political concern to us today.

It is my purpose in this paper to show that the day for utilization of our vast U. S. oil shale reserves is at hand. This of course has been said before, and particularly was proposed last at great length and with the usual speculative promotional efforts, some 40 years ago. At that time new Texas oil discoveries and 10-cents-a-barrel crude prices effectively delayed the use of our oil shale resources. It can reasonably be asked whether this will not happen again, and whether cheap Middle East oil has not now replaced cheap Texas crude as the deterrent to development of an oil shale industry in the United States. I shall attempt to answer this latter question as the discussion proceeds.

*An address by Dr. Prien before the 2nd Energy Resources Conference, Denver, Colo., Oct. 15, 1958. Data in this paper are taken from "Future Growth of the World Petroleum Industry", Chase Manhattan Bank, N. Y., 1957; "Future Productive Capacity and Probable Reserves of the U. S.", Oil & Gas Journal, Feb. 24, 1958; "Estimated Capital Expenditures Free World Petroleum Industry", Chase Manhattan Bank, N. Y., Sept. 1957; Schroeder, W. C., "Economic Possibilities for Liquid Fuels from Oil Shale and Coal in the U. S., First Energy Resources Conference, Denver, Colorado, October, 1956; and miscellaneous sources.

The initiation of any new industry is dependent upon a favorable combination of political, economic, and technical factors, all of which, acting together, catalyze its birth and stimulate growth in its early years. Any of these three factors, if disadvantageous, can effectively delay an industry's beginning, or hamper its expansion to a self-sufficient size. When a time occurs when all are propitious, however, a new enterprise arises and takes its place in the economy.

The history of attempts to launch an OIL SHALE industry is a classic example of the above. Past efforts to create such an industry have all failed as a result of unfavorable circumstances in one or more of the above categories. It appears, however, that the appropriate time has now arrived for development and utilization of U. S. oil shale deposits. Let me show why I believe this to be the case.

Future Petroleum Demand

In its July 1958 estimate quoted previously (that U. S. energy demands would double between 1958 and 1980) the National Planning Association predicted that the petroleum industry's proportion of the energy market would probably continue to hold at its present level of approximately 40%. Nuclear energy, while definitely a long-term competitor, is not expected to advance with a sufficient technical rapidity to absorb more than 10% of the energy market by 1980.

Even this advance is not visualized as influencing significantly petroleum's role particularly in the field of transportation, which is the major market for petroleum products.

Conclusion One: Nuclear energy, therefore, as it appears at present, will not appreciably alter the demand curve for petroleum in the next 25 years.

It is a well-known fact that world petroleum production and demand are admittedly temporarily out of balance at present. There is every indication, however, that the long-term demand-growth trends of 3 to 5% per year, experienced by the Free World during the past 3½ decades, will continue. This relative growth in anticipated petroleum demand in the U. S. and Free Foreign areas for the 10-year period 1956-66 is shown in Table I, taken from the 1957 Chase Manhattan Bank report on Future Growth of the Petroleum Industry.

TABLE I
Petroleum Demand in the Free World

Area—	1956	1966
	Millions Bbl./Day	
United States	8.7	14.3
Free Foreign	6.8	14.2
Total Free World	15.5	28.5

Note that 5.6 million barrels per day of additional oil will be required for the U. S. alone by 1966.[1]

It is important also to note from this table that Free Foreign demand outside the U. S. will increase 7.4 million barrels/day in this same period. Most of this increased foreign demand is occurring in Europe, which at present receives about 80% of its oil from the Middle East. Present Middle East exports to the Free World, incidentally, now total some 3.3 million barrels per day.

Conclusion Two: The U. S. must add over 5 million barrels/day of new oil to its present requirements by approximately 1965, at which time its total consumption will be in the order of an astounding 14 million barrels/day. Certainly, therefore, a market will exist in the immediate future for at least one million barrels/day of oil from shale. Even one million barrels of shale oil per day would be only 7% of daily U. S. demand in 1965.

Future Capital Requirements

In order to finance its growth the U. S. petroleum industry is expected to expend $80.3 billion in the 10-year period 1957-66, for increased production, plant facilities, transportation and marketing. Approximately 70% of this total (or $57.6 billion) is required for increased production alone.

Using these figures Dr. W. C. Schroeder, former head of the Office of Synthetic Fuels, has calculated the average capital cost of new and replacement petroleum productive capacity in the U. S. for the two periods 1955-60 and 1960-65, on a per daily barrel basis. These data are shown in Table II.

TABLE II
Average New Capital Requirements for Petroleum Production

Period	Capital Requirements for Each New Barrel of Daily Production Dollars/Daily Bbl.
1950-1955	$5,900
1956-1960	7,500
1961-1965	9,200

In this paper, presented at the First Energy Resources Conference in this city two years ago, Schroeder estimated the capital requirements for an oil shale industry to be approximately $7,500—daily barrels, or essentially equivalent to present capital requirements for new petroleum, if we include, as we must, the cost of finding this new petroleum (exploration cost). There is, of course, little or no exploration cost for shale oil.

I mention these capital costs since the enormous new capital outlays for a shale oil industry are often mentioned as an obstacle to its growth. The conclusion from the above would appear to be obvious.

[1] It is recognized that other sources (e.g., Oil & Gas Journal) place 1965 demand at closer to 12 million barrels/day. The conclusions to be drawn, however, will still be valid.

Conclusion Three: If a competitive shale industry can be created with a capital requirement per daily barrel of production no greater than that for petroleum, these new capital outlays, *per se*, cannot be considered an important factor in deciding between shale oil and crude petroleum. For these capital outlays are required whether shale oil is to substitute for a portion of the increased petroleum demand or not. There is every reason to believe, of course, that improvements in shale technology have already reduced the capital outlays required, and will continue to do so as research continues.

Future Domestic Crude Oil Costs

It is a well known fact that the cost of finding new petroleum reserves is increasing sharply, in part as a result of the greater drilling depths required. At a depth of 4,000 feet drilling costs are approximately $12 per foot. At 8,000 feet this cost rises to $20 per each new foot of depth, at 12,000 feet to $41 per foot, and at over 15,000 feet depth to $105 per foot. Average well depths have increased from 3,000 feet in 1940 to 4,000 feet in 1955, and are expected to reach 4,700 feet by 1965.

The new reserves added per foot of well drilled have continuously declined, from 25 new barrels/ft. in 1945 to around 13 new barrels/ft. in 1956. They are expected to drop to nine new barrels/ft. by 1965.

The over-all result of the above is a constantly higher price for crude oil. At the 1956 discovery rate of 13 barrels/ft. the crude "break-even price" was $2.75/bbl. By 1965 at nine barrels/ft., this price will become $3.55/barrels, for only break-even operation, exclusive of any effects of inflation. This upward price trend can be expected to continue.

It is important to note, in this connection, that no finding costs are required for shale oil. Present-day finding costs for new petroleum are now estimated at $1.65/barrel to $2.30/barrel of new reserves. This is exclusive of the cost of producing such petroleum when found. On the other hand, the loctation and extent of the 1,500 billion barrels of oil shale deposits in western Colorado, Utah and Wyoming are known.

In the light of rising drilling costs shale oil is already competitive with domestic petroleum, **even without further improvements in shale technology**, provided that present shale oil production costs are equal to crude production costs. Both the Union Oil Company of California and the Denver Research Institute have recently stated that shale oil produced by the processes under their respective investigation can be laid down on the West Coast, which is the most likely market, at costs which are competitive with present posted domestic crude prices.

Insofar as the future is concerned shale oil will be produced more cheaply than crude petroleum, as crude prices continue to increase as a result of the decreased drilling return per foot, previously discussed. The inevitable future improvements in shale technology, of course, will only emphasize this gap.

The effects of inflation on the above are not significant, as long as their influence on both cost structures is proportionately the same. In the long term it is probable that shale oil prices will, in part at least, determine the future allowable price for domestic petroleum crude.

It is desirable, of course, that shale oil obtains equitable tax treatment with crude oil as far as depletion allowance is concerned. A recent Internal Revenue Service ruling has indicated that the present 15% mining depletion allowance is applicable to oil shale. This should, course, be based upon the value of the shale oil produced, since this is the only "value" inherent in oil shale rock. The 15% figure is to be compared to the 27.5% now applicable to petroleum, the material with which shale oil must compete. It is only reasonable that shale oil and petroleum be given equivalent tax treatment if the products from both must sell in the same market. A bill to accomplish this fact, recommended by the Secretary of Interior, was unsuccessfully prosecuted in the recent Congress.

It is the general conclusion of the petroleum industry that no major new domestic oil field yet to be found, as far as is now known, could appreciably alter domestic crude prices in view of the aforementioned level of future U. S. demand. This fact is quite independent of any prospects of a future shale industry. Thus, a new domestic oil area is also no particular threat to a shale industry's growth. (Incidentally, the rate of discovery of major new petroleum fields has declined from an average of four per year in the prewar years, to one per year in the period since World War II.)

Conclusion Four: It follows

Continued on page 38

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Directors of **The Chase Manhattan Bank, New York,** and the **Clinton Trust Company, New York,** have approved a merger proposal that would join the four banking offices of Clinton Trust Company, all located in Manhattan, to Chase Manhattan's metropolitan branch system.

George Champion, President of Chase Manhattan, and Theodore R. Schwarz, Clinton Trust President, in a joint statement on Nov. 28 said: "In general, the merger would act to aid future development of lower West Side Manhattan in an area where Chase Manhattan at present has no branches by bringing more directly to its support the large capital resources of The Chase Manhattan Bank.

Terms of the merger call for an exchange of 55/100 of a share of Chase Manhattan stock for each share of Clinton Trust stock, to be effected by Chase Manhattan issuing an additional 77,000 shares. At present there are 140,000 shares of Clinton Trust and 13,090,000 shares of Chase Manhattan outstanding.

Stockholders of both institutions and New York State and Federal banking authorities must approve the proposal before it can become effective.

The addition of the Clinton Trust Company's four offices would give Chase Manhattan a total of 103 locations in New York City. On Sept. 30, Chase Manhattan had deposits of $6,874,000,000, capital funds of $625,000,000 and total assets of $7,836,000,000.

Previous article appeared in this column on Nov. 20, page 2106.

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George H. Gribbin has been appointed a member of the Advisory Board of the Fifth Avenue Office of **Manufacturers Trust Co., N. Y.,** it was announced by Horace C. Flanigan, Chairman of the bank's board of directors.

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The promotion of seven officers to new official posts and the election of four staff members as junior officers with **The Marine Midland Trust Company of New York,** has been announced by George C. Textor, President.

Advanced to Vice-President from Assistant Vice-President were Feodor D. Cekich and Roy S. Greer.

Elected Comptroller from Assistant Vice-President was Robert B. Decker, succeeding P. A. Delaney, who continues as Administrative Vice-President.

New Assistant Vice-Presidents included former Assistant Treasurers Harry W. Baechtold, A. Hunter Bowman, Charles F. Hickox, and former Assistant Secretary Vincent B. Hubbell.

New official status as Assistant Treasurers went to John S. Boertlein, Exchanges & Transit; Robert Cording, Jamaica Mortgage Department; and Francis M. Lenhart, Manager Hillside Branch. Louis J. Grosso was elected Assistant Secretary in the Personal Trust Department.

* * *

Bankers Trust Company, New York, opened its ninth Queens office Nov. 29.

The new branch, headed by Manager Adolph J. Fortunato and Assistant Manager Robert W. Duffy, is located at 97-03 Queens Boulevard in the Rego Park section of the Queens borough.

Bankers Trust Company last opened an office in Queens in 1956 when its Van Wyck Office began operation. The new office is the 45th Bankers Trust Company in New York. Bankers Trust Company has 18 locations in Manhattan, 10 in the Bronx and eight in Brooklyn besides nine in Queens. The 46th office of Bankers Trust Company will open in December on Manhattan's Third Avenue and 67th Street intersection.

* * *

Two banks, utilizing distinctive design and construction techniques to achieve solutions to their expansion problems, are occupying neighboring street floor space in a single building—a rare tenant grouping for Manhattan office structures. Both banking institutions, retaining their business identity in the community they have served for many years, are tenants in the new 31-story office tower under way at 110 William Street in the downtown financial area.

East River Savings Bank opened its new 110 William Street office on Dec. 1 and **Marine Midland Trust Company,** currently operating its William Street office in the building on a temporary checkerboard basis, have employed different approaches to their common problem of meeting expanding requirements.

To develop the banking areas, a multiple stage project design was devised that allowed the Marine Midland Trust Company to maintain its complete services while its new quarters were being erected. In an extension of this planning method, the East River Savings space was completed in advance of the normal building schedule.

In the case of East River Savings, where the new and substantially larger 110 William Street office replaces the one formerly maintained one block to the west at 55 John Street, the transition of space was a relatively simple one.

In contrast to the East River Savings office which was erected while the bank's services continued at its old John Street quarters, a much more involved process was instituted for Marine Midland Trust Company.

Marine Midland, which has maintained a branch on the William and John corner for the past 38 years, is continuing its banking office in the new structure and enlarging its space by approximately two-thirds.

* * *

Andrew A. Rindlaub, Regional Vice-President in charge of the Mount Vernon office of **The County Trust Company, White Plains, N. Y.,** completed 30 years of service with the bank on Nov. 27, 1958.

An officer of The County Trust Company since 1942, Mr. Rindlaub was named Regional Vice-President last December.

* * *

Central Trust Company Rochester, N. Y. received approval to increase the capital stock from $2,352,000 consisting of 117,600 shares of the par value of $20 each, to $2,822,400 consisting of 141,120 shares of the same par value.

* * *

Following the recommendation of the Board of Directors of the **Manufacturers and Traders Trust Company, Buffalo, New York,** the stockholders of the bank voted to authorize 322,388 additional shares of capital stock, thus increasing the total number of authorized shares of capital stock of the bank, to 2,256,714, of $5 par value each. The additional 322,388 shares of capital stock of $5 par value each are being offered to the stockholders of the bank of record at the close of business Dec. 2 at the rate of one new share for each six shares so held at the price of $24 per share. The warrants providing evidence of the subscription rights are being mailed to the stockholders and will expire on Dec. 17.

* * *

National Bank of Maryland, Silver Spring, Md., received permission from the office of the Comptroller of the Currency to open a new bank. H. F. Taylor is President and Hilbert A. Corley is Cashier. The bank has a capital of $500,000 and a surplus of $250,000.

* * *

A proposal to merge **The North American Bank Company, Cleveland, Ohio,** with **Central National Bank of Cleveland, Cleveland, Ohio,** was approved by the Boards of Directors of both banks. John A. Seliskar, President of North American Bank, and Loring L. Gelbach, Chairman and President of Central National Bank, in making the joint announcement stated that the action by the directors was subject to the approval of the shareholders of both banks and the Comptroller of the Currency.

The proposal will be presented for approval at the regular annual meetings of shareholders of both banks in January. Subject to this approval, it is contemplated that the merger will be effective Feb. 28, 1959.

The agreement to merge provides for an exchange of stock, with the shareholders of North American Bank receiving one share of Central National Bank capital stock for each share of stock of North American Bank.

The 60,000 outstanding shares of North American Bank will be exchanged for a like number of Central National Bank shares bringing the total outstanding stock after the merger to 1,085,000 shares.

As of Sept. 30, total resources of North American Bank were $21,236,449. As of the same date, resources of Central National Bank totaled $564,990,935.

* * *

Formal approval by the Comptroller of the Currency, Washington, D. C., Tuesday, made effective an increase in the capital and surplus of the **Republic National Bank of Dallas, Texas,** to $100,000,000, it was announced jointly Tuesday by Karl Hoblitzelle, Chairman of the Board, Fred F. Florence, Chairman, Executive Committee, and James W. Aston, President.

Previous articles appeared in this column on Oct. 30, page 1786, and Nov. 20, page 2106.

* * *

The Clovis National Bank, Clovis, N. M. increased its common capital stock from $200,000 to $250,000 by a stock dividend and from $250,000 to $300,000 by the sale of new stock, effective Nov. 19, (Number of shares outstanding—3,000 shares, par value $100).

G. Arnold Hart, General Manager of the **Bank of Montreal, Montreal, Canada,** was elected a director and a Vice-President of the bank on Dec. 1. He will continue to serve as General Manager. The election was announced following the bank's 141st annual meeting of shareholders.

Mr. Hart has been General Manager of the bank since Jan. 1, 1957. He began his banking career 28 years ago in Toronto and has served in Canada and in the United States.

LETTER TO THE EDITOR:

Reader Suggests a Method to Provide Security Against Inflation

Correspondent goes beyond John E. Rovensky's proposal for guaranteeing the purchasing power of Government bonds (*Chronicle*, November 20, p. 18) in suggesting our Government guarantee most long-term dollar holding but not such assets as equities, real estate or tangible personal property. Mr. Boksenbom explains his proposal would attract savings, reduce financing rates, and slow down—if not halt—inflation. Sees it paying for itself and claims it is as necessary as the

Editor, Commercial and Financial Chronicle:

In your Nov. 20 issue, you published two interesting articles on inflation. In one, Mr. John E. Rovensky speaks of "the terrifying problem of inflation." In the other, Prof. Sumner H. Slichter says that the supposed sufferers from inflation are voting in the "spenders" who presumably will speed up the inflation. In other words, while everyone decries inflation, most people want the very things that cause it.

The real evil of inflation is its inequality. While current earners (workers, farmers, businessmen) are enjoying the jingle of more money and higher living standards, the people who depend for their future security on dollar assets, in savings accounts, life insurance, bonds and pensions, are victims of the dollar's shrinking purchasing power. Any promises to stop inflation are probably as idle now as in the past. They only mislead the unsophisticated, and even they are rapidly losing faith.

The danger we face is a possible runaway inflation, a disastrous run on the dollar, when savers, more and more alarmed over the shrinking value of their holdings, will be panicked into buying anything at any price. We have seen it elsewhere. Billions and billions of dollars of savings are available to the public in a stampede to buy as fear grows into panic.

The suggestion to guarantee the purchasing power of government bonds is a step in the right direction—but by itself it would bring on a new evil. Funds would dry up for all borrowers other than the Federal Government, except at prohibitive interest rates. We would discourage private building, business expansion, and essential non-Federal Governmental services. Who would buy municipal school bonds, for instance, or private mortgages?

Would Guarantee All Long-Term Holdings

There is a way to protect the holders of dollar assets without upsetting the economy. Let the Federal Government guarantee the purchasing power of substantially all long-term dollar holdings, whether in savings accounts, life insurance, pensions or bonds. This would mean that on all long-term dollar holdings savers would be allowed a premium in dollars equivalent to any future rise in the cost of living. Government cost of living indices could be the yardstick.

This is not nearly as formidable an undertaking as it sounds at first blush. Nor is it unreasonable. The Federal Government has a monopoly on the issuance of dollars — and dollars are the sole legal tender. Everyone in the country is required to use the U. S. dollar as the basis of all contracts. That goes for banks and their depositors, insurance companies and their policy holders, and even states and municipalities and their bond holders. So it is only right that the government guarantee the quality of the dollars in which we all must deal.

This proposal would not extend government guarantees of payment, or of the solvency of debtors, beyond exising guarantees. It would only guarantee the purchasing power of the dollars themselves, when and if paid. And only on long-term dollar holdings. It need not cover short-term holdings such as one or two years. And it would in no way apply to assets generally, such as common stocks, real estate or tangible personal property.

Traces Effects of Guarantee

What would be the probable effects of this guarantee? Savings would become more attractive, lending funds more plentiful, interest rates lower, and panicky buying would be avoided. Inflation would be kept at a slow creep if not halted. With consumers reassured of the future purchasing power of their accumulated savings, they could safely increase their present spending on goods they want. And with borrowing plentiful at low rates, business and building could expand.

What about the cost? Probably very little. Bank deposit guarantees have cost the government practically nothing. Once fear was removed, runs on banks stopped, and so did practically all bank failures. With an anti-inflation guarantee, the entire cost might be offset by direct government savings — by keeping down interest rates on its debt, and perhaps keeping down the cost of its own purchases.

What about the mechanics? No more formidable than other government programs. Most savings are channeled through banks, insurance companies and the like, whose records would facilitate processing. On their long-term dollar obligations, they would receive from the government any anti-inflationary premiums and credit them to the beneficiaries. Holders requiring individual handling should offer no insuperable difficulty.

Only by some such method can the country escape the runaway inflation threatened by the vast amount of accumulated savings that may seek safety in flight from the dollar. Any residual creeping inflation would be kept in manageable bounds, and equally shade by all. The need is sufficiently great, the benefits to the whole economy sufficiently apparent, and the justice to the holders of dollar assets sufficiently compelling to require this government guarantee.

Prompt action now can avoid catastrophe. Government guarantee against loss of purchasing power is as necessary today as the guarantee of bank deposits was 25 years ago. Had the government acted promptly in 1929-30 instead of wating until 1933, much of the tragedy of the Depression might have been averted. Holders of dollar savings are grumbling ominously about loss of purchasing power. The time to allay their fear is now, before it culminates in panic.

SAMUEL BOKSENBOM
10 West 74th Street,
New York 23
Nov. 24, 1958

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market, with the refunding operation fairly well digested, is following the same old pattern, which has been pretty much in vogue for quite some time now, namely as the stock market continues its upward movement the pressure is increased on income bearing obligations. The sharp decline which took place in prices of equities last week brought with it a modest recovery in quotations of Government issues. This upturn in prices of Government securities, however, turned out to be short lived, because the common stock market put on a display of strength which made up most of its losses. It is still the opinion of most money market specialists that a booming stock market is not going to have a bullish effect on the market for Governments or other fixed income bearing issues.

Refunding Attrition Small?

The Treasury in its recent $12 billion refunding operation was able to get the holders of the maturing issues to turn in nearly $11.7 billion, so that the cash payout amounted to only $414,000,000. The attrition aggregated only about 3% of the total involved in the operation. This is considered to be a favorable venture as far as the Government is concerned.

On the other hand, the fact that the bulk of the December maturities were owned by the Federal Reserve Banks, who usually turn in their holdings for the refunding obligations 100%, and did so in this case also, does not make the $414,000,000 cash payout look too meagre, when the non-Federal ownership of the maturing issues are taken into consideration.

It is evident that the public holdings in the area of $4 billion were the ones that were turned in for cash, so that the attrition in the just completed refunding was much in excess of the 3% figure, as far as the non-Central Banks holdings were concerned.

It had been indicated that many corporations would need cash for year-end purposes and, with the money market still on the tight side, so that the deposit banks could not take up the slack, it was not too surprising that some of them turned in their maturing issues for cash.

Central Banks Extended Holdings

The Federal Reserve System, in a move that was characterized as unusual but which is supposed to be no change in the Board's policy (Bills only), turned in part of its maturing holdings for the new notes, the 3⅝% due May 15, 1961. It was pointed out that the $7.8 billion which the Central Banks owned in the old certificates was one of the largest positions they had in Government obligations, outside of Treasury bills.

Accordingly, by making this move into the 2-year-5½-month note, the Central Banks were able to take a smaller position in the new 11½ month certificate, and at the same time take a not too large position in the new 3⅝% note. However, the Federal Reserve Banks will still be the principal owners of the 3⅝% notes that come due in 1961.

Resale of Notes a Possibility

It was officially conceded that the new refunding note, which was taken on by the Central Banks, was a longer maturity than these institutions had been using, but the belief among the powers that be is that this will give the System not only a better distribution of its holdings, but also better control over the money market. It is likewise evident that the Federal Reserve System, by taking a position in the new refunding notes, gave this issue sufficient size to make it readily transferable or tradable.

In spite of the statement by the spokesman for the Federal Reserve Board that the Central Banks have no intention of selling the new refunding notes in the open market, but will likely hold them to maturity and again exchange them for new Government securities, there are some money market specialists who hold the belief that these notes will eventually be let out and the proceeds reinvested in Treasury bills.

Spokesman Upholds "Bills Only" Policy

The November issue of the Federal Reserve Bulletin, in a lengthy article on open market operations by Winfield W. Reifler, Assistant to the Chairman of the Federal Reserve Board, indicates that the "Bills Only" policy will continue for a long time to come, since the results thus far obtained, according to the study, indicate a minimum of disruption to the financial markets by this policy.

Hedging Against Inflation

By PAUL EINZIG

British economist summarizes variety of hedges generally resorted to for protection against price inflation and explains their applicability and inapplicability in the case of his country. Refers, for example, to what might happen to stocks in the event of a labor government's political victory. Dr. Einzig describes the problems the Government, banks and insurance companies will have in attracting savings should the presently non-inflation conscious British people change their views about inflation's inevitability.

Dr. Paul Einzig

LONDON, Eng.—Day after day more and more people are reaching the conclusion that taking the long view, creeping inflation has come to stay. If there is disagreement amongst them it only concerns their views of the probable pace of the progress of inflation. Even the most optimistic shade of opinion expects prices at least to double in a generation. As for the pessimists, they anticipate an acceleration of the pace as and when the inevitability of a further rise in prices comes to be more widely realized. Up to now those who take a pessimistic view of the prospects still represent a minority. Otherwise, Government loans would have depreciated to a level at which they would command a yield between 8 and 10%, so as to compensate holders for the decline in the purchasing power of their savings in addition to giving them a reasonable yield.

The absence of a really pessimistic view on the prospects is also indicated by the fact that there is a continued expansion of life assurance. Once the inevitability of non-stop inflation comes to be realized this form of saving, as saving in the acquisition of Government Loans or other fixed interest bearing securities, is bound to become less popular. So far only one British insurance company has devised a superannuation policy which is based on equities and offers therefore a safeguard against the erosion of the investment. All the rest continue to rely on the traditional British attitude which assumes that "a pound is a pound."

Problem of Attracting Savings

For the same reason the idea that the Government should issue loans with guaranteed purchasing power or that the banks should follow the Finnish example of accepting deposits with a cost of living clause, has been firmly rejected there appears to be no noteworthy pressure to induce the Treasury, the banks and the insurance companies to change their attitude in this respect. As and when the inevitability of continuous inflation will come to be realized such a pressure will increase. In order to attract savings the Government, the banks and the insurance companies will have to offer safeguards against the erosion of savings.

From this point of view the business recession in 1958 and the recent ups and downs on the Stock Exchange, may well be regarded as a blessing in disguise. It temporarily arrested, or at any rate slowed down, the process of switching into equities. In the prolonged absence of setbacks in business profits and equity quotations, the switching-over might have assumed by now such dimensions as to raise the cost of Government borrowing to a ruinous level.

The British people are not very inflation-conscious, because the United Kingdom, throughout its long history, has so far escaped runaway inflation such as less fortunate countries have experienced. The general public is not really interested, therefore, in hedging against inflation. It is only the wealthier investors who have been doing so on an appreciable scale.

Discusses Hedges

Switching into equities is the most obvious method of hedging against inflation. It is, however, far from foolproof, especially in Britain where the next Socialist Government is certain to nationalize a number of industries. Only small firms are immune from this danger, and investment in small firms cannot be regarded as sufficiently safe. Almost any large firm which would attract capital seeking safety against inflation is exposed to nationalization. And even though it is possible that shareholders would be paid fair compensation, they would be confronted with the difficult problem of finding alternative investment—possibly at the wrong moment.

The acquisition of real property is another form of hedge. As far as houses are concerned it is only safe, however, for owner-occupiers. Landlords are a favorite target of Socialists and are likely to have a lean time under the next Labor Government. Although the nationalization of agricultural land is not at present in the program of the Labor Party, sooner or later it is expected to be included so that investors thinking in terms of decades cannot regard it as an absolutely safe hedge against inflation in the long run.

There has been lately a revival of interest in gold mining shares for hedging purposes. Until recently it was assumed that the American gold price of $35 an ounce has come to stay for good. As a result of the business recession in the United States, the decline in the American gold reserve, and the victory of the Democrats at the recent Congressional elections, however, the possibility of a higher gold price has come to be widely envisaged. For this reason gold mining shares and also objects made of gold are now regarded once more as a hedge against inflation.

Other Hedges

Many wealthy people have long discovered objects of art, antiques, etc. as a hedge against inflation. The popularity of this hedge among those who can afford to dispense with yield over a long period of years must have increased considerably, judging by the steep rise in prices for French post-Impressionist paintings, antique books, antique furniture and various collectors' pieces. A stage may well have been reached, however, at which these prices have discounted inflation for many years ahead. It may well be open to question whether a post-Impressionist painting, however beautiful, is really worth £150,000 and more, and a Louis XV table is really worth £36,000. In this respect fashions come and fashions go. Those skilful in the art of hedging have to discover lines which have not yet become fashionable, so that in addition to hedging against inflation they could benefit by the change in fashion.

Needless to say, the rank and file of the public, even if and when it realizes the need for hedging, would not be able to resort to such a kind of hedging. Their demand would be directed towards ordinary goods in common use. Once that stage is reached inflation would soon pass the creeping stage and would proceed faster and faster.

J. C. Bradford Co. Will Admit Partner

NASHVILLE, Tenn. — J. C. Bradford & Co., 418 Union Street, members of the New York Stock Exchange, on Jan. 1 will admit James C. Bradford, Jr. to partnership.

Goldman, Sachs Co. To Admit New Partners

On Jan. 1, Goldman, Sachs & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, will admit to partnership Arthur G. Altchul, John W. Callaghan, Charles L. Grannon, James D. Robertson, L. Jay Tenenbaum, and Harold S. Wass.

With Powell, Johnson

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Bob Boudakian is now with Powell, Johnson & Powell, Inc., Security Bldg.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks worked back uphill this week, filling in the breakaway gap left by last week's hard selloff, and then wavered without showing any serious intent at the moment of trying to scale the record peak posted last month.

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It left industrials, particularly, in something of a trading range between the 567 high and the 540 low, the two extremes reached over a total span of only six trading sessions. And before confidence would be restored on any broad scale either, or both, of these levels seemed destined for a more thorough test.

Test Ahead

That a test was indicated was the fact that trading dried up rather sharply in the latter stages of the rebound, turnover dipping to a low for about a month. It seemed to spell out increasing caution until the market's technical pattern is clarified.

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Of interest to the technicians was that the low posted on the latest correction was well above that reached on the mid-October selling drive, so that there are two test levels on the downside where support developed in the recent past and, conceivably, could be found again on any new selling.

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The brighter group to start off the new month—and December traditionally is one of the brighter months of the year for the market—was the electronics one. And here, too, profit-taking moved in rather rapidly after the favored items carved out their gains.

* * *

Some good earnings estimates were responsible for some of the interest in the electronics items. But much of it was apparently based on other factors including new products and mergers, as with Siegler where the company denied any knowledge of specific reasons for the stock to run ahead a handful of points in short order, more than doubling its year's low in the process.

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Oils continued among the more laggard items and aircrafts were far from achieving any general popularity or even, for that matter, short-term trading interest.

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An individual newcomer to the limelight was Combustion Engineering which rolled up unusual volume following a service recommendation and company estimates that showed its earnings holding up well and headed even higher next year. The company in the past has benefited when atomic energy issues were the fad, its output of heavy steam generating equipment for utilities being its participation in this sphere. While utility ordering of heavy equipment has been somewhat laggard, Combustion held its backlog virtually level and benefited profitwise both from holding costs down and the decline in capital outlays. To some sources, its improving per share earnings were taken as making it a candidate for a better dividend next year.

The Big Auto Question

The big question mark, and it weighed heavily on the steels, was whether the auto business was coming anywhere near the predicted 30% increase for the 1959 model year. So far the evidence was inconclusive, the recent rash of strikes holding down production and sales. Also intangible was whether further inroads would be made by foreign imports to limit domestic output. Market action of the Big Three as well as the independents was dreary so there was little clue here as to what the future holds.

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American Motors ended all the speculation over its probable dividend action by declaring a 5% stock payment and the issue quieted down rather quickly in recent markets. The issue could well afford a market pause, having increased some four-fold over the 1958 low. And there are some grave questions ahead, notably all the talk of the Big Three invading the economy car market with 1960 models. Moreover, American's tax loss carry-forward will be exhausted this year which points to lower per-share earnings next year even if its business holds steady.

Chemicals Sluggish

Chemicals had trying times for the most part, despite the pronounced pickup in earnings in the most recent quarter, a possible reason being that 1958 results will still not compare favorably in general with those of last year. The issues, consequently, are mostly available well below their highs despite prospects of improving profit results next year. Atlas Powder, available at nearly a 4% return which is high in this section, has been a better performer despite expectations of poor earnings comparisons and the prospect of financing to help the company broaden its operations. After a slow start the company has been developing a wide variety of chemicals to end its heavy dependence on explosives and, despite its better action, is still considered an item where the future growth potentialities have not yet been discounted marketwise.

Seesawing Blue Chips

There was some seesawing among the blue chips but not much disposition generally to give much ground even under selling pressure. American Telephone, where hopes for a stock split or an improvement in its long-steady dividend payment were so high and so ill-advised, was still toying with the 200 line where, except briefly in 1946, it hadn't been seen in more than a quarter century. Where the list was dotted elsewhere with quality items that now offer a yield of around 3%, Telephone with its 4½% return is still the income item, apparently.

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All the talk about Telephone's classic $9 dividend, and the recurring stock split rumors, have pretty much obscured the fact that while more than doubling the number of capital shares in the last dozen years the company has forged ahead earnings-wise to make it one of the leading money-makers among American corporations. Even on a per-share basis comfortable improvement has been made despite the heavy dilution through its many rights offerings in that time.

* * *

The rather abrupt departure of its top executive chilled interest in Mack Trucks a bit but it is still a company that appears destined for progress and offers a yield of above 5% when such a return is hard to find where any sort of growth is ahead. Like so many other companies, Mack will not show earnings comparable to those of last year. But results have made a definite turn and increased production currently is improving operating results. In addition, some new models have been introduced in both medium and heavy duty lines which could keep operations headed upward. Technically the stock has broken out of a trading range on the topside which could be the start of a happier market experience.

Caution Toward Retailers

The usual interest in department and chain store issues at the holiday season of the year was somewhat lost in the general caution toward the market, leaving some of the better yields available in this section. W. T. Grant, despite an aggressive expansion program in the last several years, was still available at around a 5% return. Full results of its expansion haven't yet been reflected in per-share earnings. The chain showed poor first quarter results but has been perking up smartly since. The chain's rapid growth was achieved without resorting to debt, incidentally, and the time is approaching when its better profit-margins should begin to enhance its earnings reports.

[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 Financial Planning

By ROGER W. BABSON

Financial adviser discusses the principal factors propelling price inflation and offers five-point financial planning program for young people.

Roger W. Babson

Are you one who finds yourself constantly worrying about your financial future? Do you never seem to have quite enough money to make both ends meet? Perhaps, while successful in many ways, you are a very poor manager of your own finances. You are, if you are a young married couple with children and if you have no cash reserves, available for emergencies, equal to your annual earnings, or if you are not building solidly in that direction!

Inflation Wave Ahead

I ended last week's column by forecasting that we will find the Democratic cure for inflation worse than the Republican disease of taxation. This week let me expand this thought. Both the war and peacetime demands of our economy have increased the Federal debt nearly $260 billion since 1932 to a figure now pegged by law at $288 billion. This is an average debt of some $6,000 per family. I suspect that by the early 1960's our Federal debt limit may well be lifted to $300 billion.

A first important reason for the climbing Federal debt is that our government is fighting an extremely active cold war. America's concern over what goes on in the rest of the world increases the national debt. Stepped-up nuclear weapons research and production, and the very expensive probing of outer space, also add to the national debt. And if Russia dumps onto world markets still more raw materials produced by slave labor, the U. S. Government will undoubtedly have to undertake financial operations to help protect American agriculture and industry. As the debt limit goes up and government activity expands, you can be sure costs will go up and nobody's dollars will go even as far as they go today.

A second important reason for inflation is the "easy-buck" attitude of both labor and management toward government work. We all know that if productivity increases faster than wages, prices decline. On the other hand, if wages go up faster than productivity, prices rise. In the interest of national well-being we must fight a vigorous cold war. In so doing, however, it is obvious that unless we give our government a full measure of productivity, we only cheapen our own dollars in the long run.

Plan Now Your Own Hedges Against Inflation

To be prosperous, a nation must be productive. Productivity comes from two sources: government spending and consumer spending. It is both government spending and the tremendous rise in consumer spending that have increased our standard of living so markedly. The American spirit of "the opportunity is there if you want to make something of it" has driven our standard of living to startlingly high levels in recent years.

This example of Americans consuming their way to prosperity has perhaps done as much as anything to combat Soviet ideology. But there has been serious danger inherent in consumer spending. Adequate personal, as well as corporate, standards of financial conduct have been lacking. Like the prodigal son, many have awakened during this past year to find they have spent all their resources and are right back where they started a dozen or 15 years ago.

I, therefore, urge a carefully considered program of finances for all. I conclude that oldsters will have profited from experience. Here, then, is a program for young people. First, build up your cash reserves to a point where they equal a year's earnings (Savings Banks, Federal Savings Association, Postal Savings, Government Bonds); second, start an inexpensive straight life insurance program; third, purchase a good non-cancelable health insurance policy as a protection while you are getting established in the early years of your work and while your earnings are but modest; fourth, buy a home of the type and in an area that will appreciate in value; fifth, with the help of a good financial counselor commence an investment program, preferably of good common stocks, to help offset the inflationary spiral. Keep your holdings well diversified. Remember the clue to financial well-being is saving and investing part of every pay check before spending any of it for the necessities of living.

William Kegg With Kidder, Peabody, Phila.

PHILADELPHIA, Pa. — Kidder, Peabody & Co., Fidelity-Philadelphia Trust Building, members of the New York Stock Exchange and other leading exchanges, announce that William B. Kegg is now associated with their Philadelphia office, specializing in Corporate Underwritings and Private Placements. He was previously associated with the New York office of the firm in the new business department. Prior thereto he was with the Paris office of the Guaranty Trust Company of New York. He is a member of the Investment Association of New York.

With A. G. Becker

ROCKFORD, Ill.—A. G. Becker & Co. Incorporated, New York Stock Exchange members, have announced the association of William H. McCoy with the Rockford office, 206 West State Street, as a registered representative. Mr. McCoy and his family have returned to Rockford, their home for many years, following sale of his interest in a Cleveland machinery firm in which he had been a partner.

The Danger of Inflation And a Program to Combat It

By MILTON J. KRENSKY*
Milton J. Krensky and Company
Mortgage Bankers, Chicago, Ill.

Gravely concerned about the dollar's down-hill slide, prominent Chicago mortgage banker submits anti-inflation program which he describes as being neither radical nor extreme. Mr. Krensky proposes placing our economy and fiscal policy on a non-partisan business basis, creating a Watchdog Committee for Expenditures, enactment of Saltenstall Resolution requiring a minimum of even one percent siphoning of tax revenue into debt retirement, and a vast public relations educational campaign to awake Americans to how inflation jeopardizes our economy.

EDITOR'S NOTE: The accompanying article by Milton J. Krensky was originally published on this page in our issue of Nov. 27 but, due to an unfortunate error, the authorship thereof was erroneously ascribed to Mr. Donald C. Miller, Second Vice-President of the Continental Illinois National Bank & Trust Co. of Chicago.

For the past 20 years our economy has been affected by our efforts in World War II, the Korean War and the necessity for continuous expenditures to defend our nation. This constant spending has created an inflated economy that was unthinkable a generation ago. As a result of this false prosperity, we as a nation have developed a habit of national extravagance far and beyond our wildest dreams.

Certainly all visionary people recognize the inflationary dangers involved and can see the possibility of ultimate economic chaos.

The Communist nations, with their low standards of living and single-minded ambitions to overtake the capitalistic world, are hoping and waiting rather impatiently for this to happen.

In our Democratic form of government we demand the right to criticize, except in times of war, yet we feel our responsibilities to our government are discharged primarily through taxation. Everyone criticizes the government regardless of administration, but very rarely does anyone offer to help solve the problems.

For many years large segments of the population have been demanding more and more from our central government in Washington. Our strongly organized labor unions have demanded higher wages, irrespective of productivity, and our large corporations in turn have raised product prices, all of which has raised living costs to a point where the purchasing power of our dollar has been reduced to less than one-half of its former value within the last 20 years.

Adding to this problem have been the demands of veterans' organizations, agriculture and other subsidies, without mention of the many billions that foreign aid has cost us.

This type of prosperity tends to create an increasing inflationary condition that could, in time, devastate our economy as we now know it, unless we take steps promptly to reverse and check this trend.

How long can we continue to be Santa Claus without ruining our economy? Do you know of any nation that would help us shore up our economy as we have helped many other nations of the world?

Our gold reserves were reduced by approximately two billion in the last year, our exports are less and our imports more. Our national debt of more than $280 billion is coming due at the rate of about $75 billion per year. It's time more of us gave thought to this serious problem.

People living on Social Security, modest pensions, small fixed income, workers who receive minimum wages, and others of small means are feeling pinched by the reduced buying power of today's dollar, and as time goes on, more and more of the population will be affected. Yet the average person feels little or no concern for these problems so long as he enjoys prosperity, and he usually says, "It is up to the government."

Because of the many world crises in recent years and the general level of prosperity enjoyed by the American people, they have become apathetic to the latent dangers of our economy—an appalling situation.

In 1918, after four years of World War I, five French francs could be exchanged for one American dollar. Today, 450 or more French francs are exchanged for one American dollar, and all of us know the hundreds of millions of dollars that we have loaned or given France to help stabilize her economy, each time a crisis has arisen. The same situation applies in varying degrees to Italy and many other countries in Europe and Asia and to almost all the countries of South America.

German currency has twice become worthless during our lifetime, but in each case we have been able to help her start over. German economy is now making apparent sound progress—with memories of its bitter experience.

Praises England's Efforts

England is the one major nation that has not permitted inflation to ruin its economy in spite of its inability to grow enough food to feed itself and despite its need to import many other vital materials. Their economy also suffered greatly from war and other problems. We should briefly mention that England undertook to solve this difficult problem for itself. True, we have given England considerable help, but the English people have made special efforts to keep the cost of living down, which in turn has kept wages at a relative level. England has reduced imports to a bare minimum, made greater efforts to export, raised the Central Bank rate to 7% at times (the highest ever known in recent years), and maintained very high general and inheritance taxes. In a few words, every element of the population has had to share the burden for the good of the country as a whole. This should serve as an object lesson for the United States.

In spite of her many problems and lack of many natural resources, England has maintained a relatively stable economy. Shall we try to follow in her footsteps or shall we go merrily along until we reach a condition comparable to France?

In this country the press and other publications are constantly telling the public how to "beat" inflation—what to buy—what to sell—what to hold—all of which adds fuel to the fires of inflation and discourages investments in long-term bonds and other fixed income investments and trades on the fear of what our dollar will buy when it is ultimately repaid.

Are we going to permit our dollar to continue its down-hill slide until it has a value of only 25 cents, and perhaps a few years later down to the value of French or other currency that has gone through the bitter experience of inflation?

Does this prospect seem fantastic or impossible?

I for one feel this is a matter of time and degree and will certainly be the end result unless we develop some concrete plans to counteract this dangerous trend, which would ultimately ruin our country even though it is still the number one nation of the world. I know that I am not alone in my concern.

Politics are usually blamed for all of our ills. Actually we frequently get the type of politicians we deserve and much of the legislation we demand. Many of our Congressmen are devoted public servants and are trying to do a constructive job for an altogether too apathetic constituency.

Cites Substantiating Views

Congressman Leon Gavin of Pennsylvania, for example, warned in the closing days of the last session of Congress:

". . . the government today is becoming a government of pressure groups—in fact, a government of subsidies. We subsidize many and varied programs—from agriculture to minerals, and we are creating a utopia where no one can lose. The government will protect and finance all phases of our economic and social life. We may go bankrupt and create chaos; however, these programs must go on. Certainly we did not build our country on subsidy programs. America was built by hard work, thrift and frugality. Unless we change the trend, I am quite certain we will end up with a bureaucratic government overlording all phases of our economic and industrial life."

Congressman Clarence Cannon, Chairman of the House Appropriations Committee, Congressman Wilbur D. Mills, Chairman of the House Ways and Means Committee, Congressman Keith Thomson of Wyoming, and Congressman John Byrnes of Wisconsin, all spoke forthrightly in opposing the vast expenditures that were being voted by our last Congress.

Excerpts of many statements by these men appear in the First National City Bank of New York October Monthly "Bulletin." The same "Bulletin" also contains the following statement made Sept. 15, 1958, by Federal Reserve Board Governor M. S. Szymczak:

"The hardest, most tragic way to prove the folly of the notion that there can be any such thing as 'permanent inflation' is to let a little inflation snowball into a big one that must in time collapse with consequences heavy in human hardship.

"The . . . more sensible way is to pursue a course that will make for a sound, stable dollar, and thus overcome expectations of inflation by demonstrating they are groundless."

Senator Byrd has for years demanded economy and fiscal sanity. Senator Saltonstall has introduced an excellent resolution that will be referred to later. Senator Williams of Maryland has consistently argued — less Federal spending is the only way to get lower taxes.

These are but a few of the men in both houses of Congress that recognize the danger of our inflationary madness in recent years. This minority can be made into a majority if we take time to do something towards making it so.

Certainly all of us, and all other enlightened people want to do something to help those in Congress that are making efforts in the right direction.

Calls on Civic Clubs

I am certain that civic-minded clubs would want to discuss this vital problem, and I felt that this is one of the first places where it should be presented.

Civic clubs are composed of highly intelligent patriotic citizens, interested in the broad non-partisan problems of our community and country, and I have every confidence that other like-minded organizations and people will lend their efforts and cooperation.

Civic clubs can take constructive steps — arrange committees to work with other groups such as the Bar Association, Kiwanis clubs and many other community and civic organizations for the purpose of acquainting the people with the problem of inflation—and ask people through the press and radio to write their Congressmen and Senators about it — combine with and encourage other institutions such as banks, insurance companies, pension funds, labor unions and the public generally to demand a fiscal policy that will give us hope for greater economic stability in the future. This is a very brief outline and obviously will have to be expanded upon.

We must develop a reversal of the defeatist thinking that now exists among many people, including those who have an understanding of the problem but are waiting for leadership to push it in the right direction.

The "Mortgage Banker," Publication of September and October has had excellent articles by profound thinkers, including Dr. Edwin C. Nourse and Dr. E. Sherman Adams, pointing up the dangers of inflation. These articles state the problem and what the future will be unless there is concentrated efforts on the part of all leaders in finance, business, labor, the press and opinion molders generally to fight hard until this problem is solved. We will have to stop thinking in terms of business as usual, partisan politics or whether our personal interest is favorably affected.

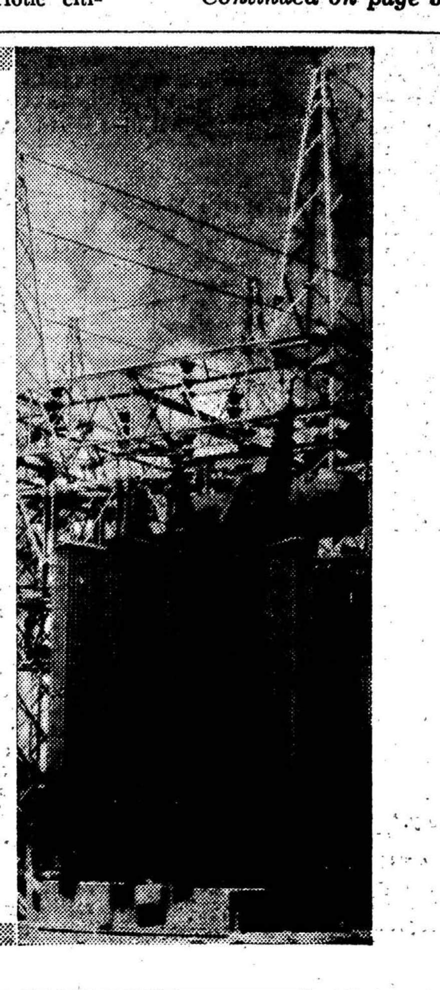
Unless the economy of our country as a whole has stability, our personal economic security will suffer proportionately. This applies even more to the average person of small means, whether their savings is in government bonds, savings banks, insurance or any other form of investment.

NOW—what can be done about this perplexing problem?

After much thought, many dis-

Continued on page 30

*An address by Mr. Krensky before the National Affairs Committee, City Club of Chicago, Chicago, Ill., Oct. 28, 1958.



Second Look at AEC Uranium Purchase Program Produces Pleasure Rather Than Pain

Reversing initial pessimistic reaction to AEC revised uranium purchase program, uranium industry's spokesman optimistically explains why the new program is a "blessing in disguise"

The new Atomic Energy Commission uranium program [full text below: Ed.] announced last Monday, Nov. 24, is proving a "blessing in disguise," according to studies now in progress by the Uranium Institute of America, Gordon A. Weller, Executive Vice-President of the Institute, said last week.

Mr. Weller issued his statement from the Institute's headquarters in Grand Junction, Colo.

He said:

"These studies show findings almost directly contrary to the initial interpretations which were made of the AEC action.

"The UIA studies find that the new program will create a market for several million tons more uranium ore than was the case under the former program—that western industry will receive $2.5 billion in the business of mining and milling the uranium reserves which are now assured a market.

Analyzes New AEC Purchase Program

"Benefits to the industry that have become apparent in the analysis of the new program are:

"(1) A legally binding reaffirmation of the post 62 price for uranium of $8 per pound of uranium oxide.

"(2) A sound basis for the expeditious completion of contracts now pending for increased milling capacity for Wyoming, the Colorado front range, and southeast Texas, as well as the extension of existing mill contracts which now expire on or before March 31, 1962.

"(3) Enhancement of the industry's position in securing future capital requirements for mine development, transportation equipment, and processing facilities.

"(4) Creation of a market for uranium reserves found after Nov. 1, 1957, which were heretofore subject to serious market uncertainties.

"(5) Legal confirmation of a total uranium market, now pegged at an annual gross of over $300 million per year for eight years—or a total of $2.5 billion.

Explains Reversed Opinion

"The UIA report states that although wide-spread alarm was first created by the advice of the withdrawal of the original AEC buying program for the 1962-66 period, this alarm was due to a lack of understanding of the newly established substitute program.

"The original plan extending uranium markets beyond 1962, announced by an AEC press release dated May 24, 1956, was never formalized by insertion in the Federal Register.

"Later the program was effectively nullified by a change of policy announcement contained in an address by an AEC official on Oct. 28, 1957.

"As a result, the study report states, 'the only guarantees to the industry, with the exception of three of 23 contracts for the purchase of concentrates, were AEC practices which evolved through a series of press releases, public addresses, and consequent interpretations—legality of which was in serious doubt.'

"By virtue of the new notice to the industry, which was filed with the Federal Register, a logically sound program is rendered upon which the industry can rely."

Text of AEC Program

The following is the Atomic Energy Commission's 1962-1966 uranium concentrate purchase program, dated Nov. 21, 1958:

The United States Atomic Energy Commission: Notice is hereby given of modification of the 1962-1966 domestic uranium concentrate procurement program.

(1) On May 24, 1956 the Atomic Energy Commission announced that it would guarantee the purchase of U308 in concentrates produced and delivered during the period April 1, 1962—Dec. 31, 1966. The Commission will carry out its May 24, 1956 commitment with respect to ore reserves developed prior to this date in reliance upon the May 24, 1956 announcement by negotiating for the purchase of appropriate quantities of concentrates derived from such ore reserves during the 1962-1966 period. Such purchases will be at the previously established price of $8 per pound for U308 in an acceptable concentrate.

(2) By issuance of this announcement the Atomic Energy Commission hereby withdraws prospectively the concentrate purchase program announced May 24, 1956. With respect to new ore reserves developed after this date, the Commission will make contracts to purchase concentrates to the extent that requirements dictate and on such terms and conditions and at such prices as the Commission may from time to time agree upon. Future programs will give due consideration to the adequacy of domestic ore reserves, the need for exploration and development, the maintenance of the domestic uranium industry, and other factors which may be important to the atomic energy program.

(3) The effect of this modification will be to provide the domestic uranium industry with a substantial continuing market for the period 1962-1966 for concentrates derived from already developed ore reserves and, at the same time, guard against over-production.

(4) Under this revised program, the Commission's 1962-1966 domestic uranium concentrate purchases from ore reserves already developed will be limited to:

(a) Current milling contracts;

(b) Appropriate extensions of current milling contracts to the extent the Commission determines that the milling facilities are needed for the presently existing mining operations and developed ore reserves;

(c) New milling contracts or amendments to existing contracts which may be executed pursuant to the Commission's April 2, 1958 announcement of the limited expansion of the domestic uranium procurement program;

(d) New milling contracts or contract amendments which may be negotiated for the purchase of appropriate quantities of concentrates in the 1962-1966 period from ore reserves developed between Nov. 1, 1957 and the date hereof.

(5) The action taken today is to guard against serious overproduction which might occur under an unlimited purchase program if very large additional uranium discoveries are made. The Commission's action recognizes the need for placing definite limitations on annual deliveries of concentrate and at the same time it gives due consideration to those who already have developed ore reserves in reliance upon the Commission's 1956 announcement. Protection will be given the independent miners by incorporating in all new milling contracts and extensions to existing milling contracts provisions designed to provide independent mine owners a fair share of available milling capacities.

(6) Today's action is not due to any forecast of a reduction in the Commission's uranium requirements or in the potential requirements for commercial atomic power. However, it is in the best interest of both the industry and the government to hold uranium production in reasonable balance with requirements.

"Does Rembrandt Pay Dividends?"

Describing the popular conception of art as investment as "one of the most captivating myths of our time," A. Wilfred May, well-known New York investment authority and art collector, attacks what he calls the prevalent justification of the frenzied squandering in today's art market.

A. Wilfred May

"Does Rembrandt Pay Dividends?" is the title of Mr. May's lead article in the Dec. 6 issue of the "Saturday Review." His answer is: "Yes, Rembrandts and Gauguins should be bought with the expectation of generous interest and dividends. But in the form of aesthetic pleasure, not cash!—any material gain being mere windfall (or bonus)."

With detailed documentation, Mr. May's article declares that, in contrast to investment processes, fluctuations in the market price of pictures are essentially the result of changes in fashion, which are wholly unpredictable. He asserts that the attribution of "investment" to the current $600,000-picture buying, constitutes pure rationalization.

Mr. May, investment authority who was associated with the Securities and Exchange Commission and the U. S. Treasury Department and is now executive editor of the "Commercial and Financial Chronicle," highlights the contrasts of the current goings-on in the art market with actual investment processes.

Reprints of the article are available from the "Saturday Review" at 25 cents each.

Chicago Analysts to Hear

CHICAGO, Ill.—G. L. Clements, President of Jewel Tea Company, will be guest speaker at the luncheon meeting of the Investment Analysts Society of Chicago to be held Dec. 4 in the Adams Room of the Midland Hotel.

Named Director

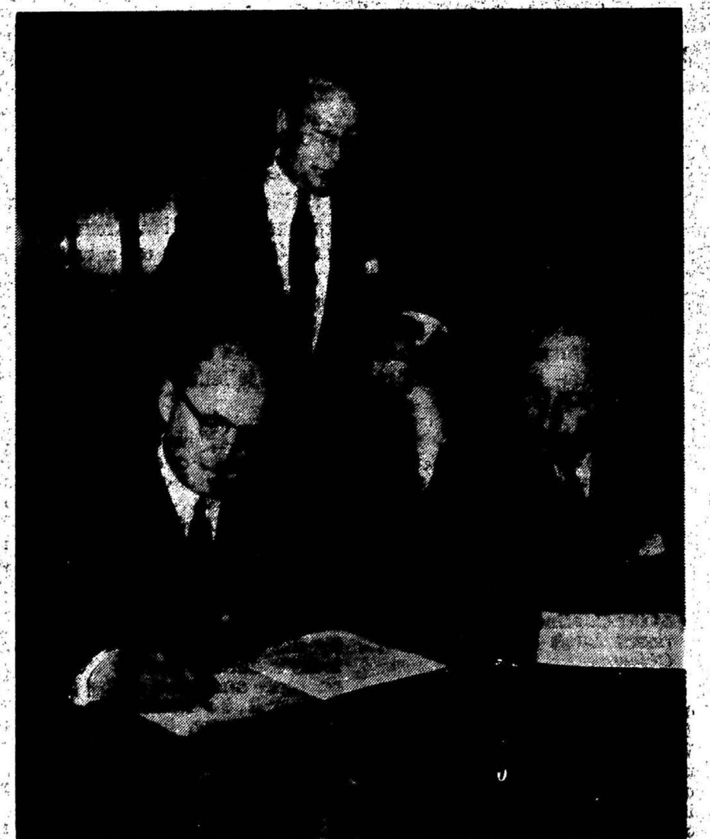
The appointment of Charles H. Percy, President and Chief Executive Officer of Bell & Howell Company, as a director of The Chase Manhattan Bank has been announced by John J. McCloy, Chairman of the Board.

Mr. Percy is a director of Burroughs Corporation, Harris Trust & Savings Bank (Chicago), and the Fund for Adult Education of The Ford Foundation. He is a trustee of the University of Chicago, a member of the Business Advisory Council of the U. S. Department of Commerce and a board member of the Committee for a National Trade Policy.

Irving J. Fox

Irving J. Fox passed away Nov. 24 at the age of 69. Prior to his retirement in 1952 he had been senior partner of Fox, O'Hara & Co. of New York City.

Union of South Africa Loan Signed



His Excellency W. C. du Plessis, South African Ambassador to the United States (left), signs loan agreements totaling the equivalent of $50,0000,000. Kingman Douglass, Vice-President of Dillon, Read & Co. Inc., (standing) signed on behalf of the underwriters of a $25,000,000 issue of External Loan bonds to be offered publicly. Eugene R. Black, President of the World Bank, signed a loan agreement between the bank and the Union of South Africa for a loan in various currencies equivalent to $25,000,000.

New Financing Co. Formed in Mexico

A new company, Intercontinental, S. A., has been formed in Mexico City to aid industrial concerns in debt and equity financing.

Principals of the new organization are Charles Allen, Jr., partner of Allen & Company, New York City; G. Bruno Pagliai, Mexican industrialist; Alfred von Bohlen Krupp, active in the steel industry in West Germany; and A. G. Siemens, a manufacturer of electrical equipment in West Germany.

Desilu Productions Common Stock Offered

The first public sale of securities of Desilu Productions Inc., the largest producers of filmed television series in the country, is being made today (Dec. 4) by an underwriting group managed by Bache & Co. which is offering 525,000 shares of the company's common stock, ($1 par value), at a price of $10 per share.

Of the total amount of shares being offered for public sale, 250,000 shares are being sold for the account of the company and 275,000 shares in equal proportions for the accounts of Desi Arnaz, President and director, and Lucille Ball Arnaz, Vice-President and director, of the company. The company intends to apply for listing of the common stock on the American Stock Exchange.

Net proceeds from the sale of the 250,000 shares of common stock by the company will be added to its general funds to be used for general corporate purposes, including payments to RKO Teleradio Pictures, Inc. representing instalments of the purchase price of the company's Desilu-Hollywood and Desilu-Culver studios bought in January, 1958.

Desilu Productions Inc., incorporated in California in 1950, is engaged principally in producing and filming television film series. From a small one-series beginning in the 1951-1952 season when the first of the now famous "I Love Lucy" shows was produced, this business had grown to 19 series for the 1958-59 season, presently representing the largest volume of any producer for that season. The television series produced by the company are classified broadly into two categories; those for which the company is the principal source of both creative and production elements and those for which others bring to the company the principal creative elements and the company supplies the principal production elements. Generally, the company owns an interest in the series in which it is principally creator and producer. Normally, it owns no interest in the series for which the creative elements are supplied by others.

C. L. Churchill With Wyllie and Thornhill

CHARLOTTESVILLE, Va. — Charles L. Churchill has become associated with Wyllie and Thornhill, 204 East Market Street, in charge of their municipal bond department.

Mr. Churchill for many years has been engaged in the business of municipal financing and in recent years has specialized in Commonwealth of Virginia internal issues. He was formerly with Scott, Horner & Mason, Inc. and prior thereto was with Otis & Co. in New York.

Forms Exec. Secs.

Samuel Goldberg is conducting a securities business from offices at 80 Wall Street, New York City, under the firm name of Executive Securities Co.

Two With Sloan Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — E. Leo Calton and Louise F. McAllister are with Donald C. Sloan & Co., Cascade Building.

Republic of Austria Loan Documents Signed

Dr. Wilfried Platzer, Ambassador of the Republic of Austria to the United States, (seated, left) signed agreement for sale of $25,000,000 of the Republic's eternal sinking fund dollar bonds to an underwriting group headed by Kuhn, Loeb & Co. and Ladenburg, Thalmann & Co. which is offering the bonds today, and documents covering a $25,000,000 World Bank loan to two Austrian public power corporations. Observing, are, seated, center, John M. Schiff, senior partner of Kuhn, Loeb & Co.; at right, Eugene Black, President of the World Bank, and, standing, Otto Marx, Jr., partner in Ladenburg, Thalmann & Co.

Continued from page 2

The Security I Like Best

climate forecast for 1959 will stimulate capital expenditures particularly for the cost-cutting variety of equipment which characterizes Neptune meters.

Gas meters for home and industry are a small part of total sales for the present. The new plant in Pennsylvania, completed in 1956, will permit increased production of gas meters at lower overhead. The distribution ability of the company, combined with newly-developed high-quality meter products, should secure a substantial portion of the gas meter market. Sales potential for this equipment has grown with the increased availability and expansion of natural gas throughout the United States. Natural gas transmission pipelines have opened the entire country as a source for gas appliance users.

Electro-mechanical products were the main-stay of Neptune's business in the early months of 1958. Record highway construction influenced sales of toll equipment and highway weighing machinery; and the abundant agricultural crop assured sales of the grain storage detecting equipment of Hot Spot.

For the nine months ended Sept. 30, 1958, sales were $27,557,998 which were about $2,294,000 above the 1957 level. Net income per share for nine months of 1958 was $2.10 versus $2.13 for 1957. For all of 1958, sales will probably reach the $35,000,000 level, and income approximately $2.85 to $2.90 per share. Current sales are about equal to those of 1956.

In 1957, as a result of low housing starts and defense cutbacks, cut a string of steadily rising yearly sales that resulted in a doubling from 1958 to 1956. Net income per share despite increased operating costs and acquisitions via stock exchanges, maintained the same rising pace.

Projections for 1959, depending upon the general level of the economy, are favorable. Sales of liquid meters should remain high as a result of the continuance of the present rate of housing starts and an increase in capital expenditures by business. Maintenance of defense and aviation purchases is assured under "Cold War" conditions. The highway program will continue to affect the market for Electronic Signal's products. Sales and income are likely to benefit from a more even demand throughout 1959, with prospects indicating a rise of about 10% for the entire year.

For the next five to 10 years, the entire liquid meter market, both home and industry, is expected to grow. Home meter sales will rise with water conservation efforts. Industrial meters provide food, chemical, drug, cement and many other industries with a means for accurate measurement, recording of ingredients, and close quality control, which are vital factors of any automatic manufacturing process. Highway toll and accounting equipment should increase in demand, and there is the potential employment of this equipment in other industries. To exploit this dynamic future, management of the Neptune Corporation at all levels is experienced and young.

Net current assets of Dec. 31, 1957 were $10,892,000, considerably in excess of long term debt of $1,276,000 and the $2.40 preferred stock of $719,100 (14,382 shares, $50 par). The major portion of the debt, $1,250,000 was incurred in connection with the purchase of a new New York City area plant to manufacture meters. Existing plant facilities had been inadequate to handle efficiently present volume. Net property was valued at $8,747,000. Common stock outstanding totalled 1,042,724 shares. Management and their family own about 21% of the total stock outstanding.

Neptune Meter, listed on the American Stock Exchange, represents an interesting long range holding. This is an established company in its initial market, with growth prospects in closely allied areas. At the present price of about 33, the stock sells at about 12 times estimated 1958 earnings, and yields 4.2% on the $1.40 annual dividend.

Standard Investors

YONKERS, N. Y. — Joseph Washisko is conducting a securities business from offices at 63 Orchard Street under the firm name of Standard Investors Co.

Mutual Funds

By ROBERT R. RICH

Paper Industry Seen in "Healthy Condition"

It would appear that the paper industry is in a healthy condition, and, if its past barometric qualities prove reliable, it is forecasting an improving level of general business activity in 1959, according to the November issue of "Perspective," published by Calvin Bullock, Ltd., managers of mutual funds with assets in excess of $450,000,000. The publication pointed out that for many years it has been recognized in economic circles that the trend of paper and particularly paperboard consumption was an excellent guide as to the course of general business activity.

In the first half of 1958, "Perspective" said, total paper and paperboard production was off 3.6% from that of the 1957 period. However, in line with the improvement in general business activity, total production for the first nine months of 1958 was only down 1.7%, and it is estimated that full year 1958 paper and board production will approach the overall total of 30.7 million tons for 1957. In recent weeks, it was pointed out, paperboard production has been at 95% operating rate of an expanded capacity while paper production has been 92%. In fact, paperboard production at slightly over 300,00 tons for these weeks has been at new output peaks.

From the longer term, the publication said, it is estimated that by 1965 U. S. net demand (required production) for paper and board would total 43.8 million tons, an increase to 40% over peak 1956 production of 31,336,000 tons.

"It might be well to point out a few negative aspects over the short term for this industry whose long-term continued growth seems apparent," the study said. "Estimated capacity in 1959 will be about 37 million tons while estimated production for next year is 32-32.5 million tons. Obviously this surplus capacity will have a restraining influence on needed price advances, and it is difficult to see 1959 earnings equaling peak 1956 results. This assumes that there will not be any wave of excessive inventory buying, although such a possibility cannot be ruled out in the present economic environment."

It is generally recognized, "Perspective" said, that the capacity operations enjoyed in the 1955-56 period were abnormal, and it is felt that a 90-95% operating rate is a more realistic figure in that it provides some surplus capacity to satisfy temporary peak requirements. Such a rate should result in satisfactory earnings and an adequate return on invested capital. Furthermore, the anticipated continued growth factor for the industry should in a few years eliminate any present excessive capacity.

Channing Corp. Buys Hare's Ltd.

Channing Corporation announced the acquisition of Hare's Ltd., principal underwriter and distributor of shares of the five institutional mutual investment funds and Canadian International Growth Fund Limited. The acquisition was made through an exchange of stock with Mr. Emlen S. Hare, founder of the Institutional Funds. This development places all phases of distribution for the Institutional group under Channing sponsorship, the retail selling being done principally by another Channing division, King Merritt & Co. Mr. Hare is Chairman of the Board of Directors of Hare's Ltd. and Mr. H. L. Jamieson is President.

The corporation directors have announced a regular quarterly dividend on the common stock of 15 cents per share, payable Nov. 20, 1958 to shareholders of record, Nov. 13, 1958.

The corporation reports for the nine months ended Sept. 30 last, post-tax earnings of $518,591, equal to $1.39 per share on 372,-817 shares. Comparable figures for 1957 were $550,944, equal to $1.67 per share on 330,350 shares. Management reported a substantial improvement in earnings of the third quarter and a favorable outlook for the remainder of the year.

Joins Barth Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Michael H. Gault has joined the staff of J. Barth & Co., 404 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Victor Troendle & Co.

Economist Cites Buying Opportunities Ahead

"While there is an increasing likelihood that the stock market has reached an area from which periodically wide and disturbing corrections, such as we are now experiencing, will take place, there is even stronger evidence that the recovery in business and the stock market is far from completed," according to Harold X. Schreder, leading New York economist and Executive Vice-President of Group Securities, Inc., a $145,000,000 mutual fund.

Harold X. Schreder

In a television interview in Miami on Dec. 1, Mr. Schreder said, "Although the prices of many well-known stocks have run ahead of their advancing values and need healthy corrections, seldom, if ever, have the usual stock market 'Averages' been less representative of the price position of the majority of stocks as now.

"It is front page news," he explained, "that most stock market 'Averages' are around their 'all-time highs," yet a recently completed study by our research department shows that over three-fourths of all the common stocks on the New York Stock Exchange are selling *below* their 1955-57 individual highs, and over one-third are still selling *below* their 1946 highs!

"The plain facts are," Mr. Schreder continued, "that 'Averages' of business and stock market activity are always — not meaningless, just not very meaningful." He illustrated this important money management point with a series of charts showing that both business and the stock market experienced violent crosscurrents within a general downtrend during 1955-57, and during 1958 clearly appear to have established a far from completed new major uptrend.

Mr. Schreder showed the television audience price charts of 100 well-known stocks out of the 1100 stocks that Group Securities continuously reviews. "Half of these stocks," he pointed out, "gathered strength during 1955-57 and now are selling at a average price 41% *above* their 1955-57 highs, i. e., tobacco, utility, food, retail trade, container, finance stocks, etc. The other 50 stocks, representing 14 of the more dynamic industries," he said, "declined 56% on average during 1955-57 and despite sizable 1958 recoveries are still selling 32% *below* their 1955-57 highs. They all now appear to be in a basically favorable price trend regardless of the price level of stock market 'Averages.'

"This wide disparity in stock prices," Mr. Schreder concluded, "while requiring extremely careful investment selection, should provide very profitable selling and buying opportunities over the months ahead as investors gradually shift their preference from the 1955-58 favorite 'consumer goods' stocks to the long-depressed dynamic stocks."

Two Scudder Funds Report Asset Gains

Scudder, Stevens & Clark Fund, Inc. reports total net assets on Nov. 13, 1958, of $77,634,117, equal to $38.73 per share on 2,004,430 shares outstanding. This compares with total net assets a year ago of $61,993,245, equivalent to $31.04 per share on 1,997,082 shares then outstanding.

Scudder, Stevens & Clark Common Stock Fund, Inc. reports total net assets on Nov. 13, 1958, of $24,575,002, equal to $27.64 per share on 889,173 shares outstanding. This compares with total net assets a year ago of $14,294,579, equivalent to $19.94 per share on 717,008 shares then outstanding.

Energy Fund Plans 10-for-1 Stock Split

The Board of Directors of Energy Fund voted to recommend to shareholders at the annual meeting, Jan. 20, 1959, that the Fund's shares be split 10-for-1, and the authorized capitalization be increased to 1,000,000 shares having a par value of $1 from the presently authorized 50,000 shares with $10 par value. Energy Fund, a mutual fund without a sales charge and specializing in investments in the energy fields, has more than 30,000 shares presently outstanding of the 50,000 authorized. On the basis of the offering price of the shares on Nov. 28, 1958, of $177.44, the split would result in a net asset value offering price of $17.74 per share.

In announcing the recommendation of the directors, Ralph E. Samuel, President, stated that, "the increase in authorized capitalization to 1,000,000 shares will not only make it possible to prepare for an increased participation in the growth of the energy industries and companies, but will also permit substantially broadened ownership of the fund's shares. The new, more popularly-priced shares will, moreover, accommodate the many who have expressed a desire to accumulate Energy Fund shares over a period of time by means of periodic purchases."

Since the first public offering in October, 1955, total assets of Energy Fund, managed and distributed by Ralph E. Samuel and Company, members of the New York Stock Exchange, have increased to $5,498,570 from $950,216 three years ago. Shares outstanding now total 30,988, up from the 7,920 outstanding at the beginning of the period. In the same period, net asset value per share climbed 47% from $119.98 at the first public offering to $177.44, not including capital gains distributions paid during the period totaling $14.13. The ranks of shareholders have increased ten-fold to a total of more than 1,100.

Upon approval by shareholders, the split of the shares is expected to become effective Jan. 21, 1959, on stock of record Jan. 20, 1959. While new Energy Fund shareholders will be required to purchase a minimum of 10 shares, succeeding purchases, and purchases by present Energy Fund shareholders, may be at a minimum of only five shares.

National Investors Accumulation Plan Holders Show Gain

Shareholders of National Investors Corporation, the growth stock fund of the Broad Street Group of Mutual Funds, who are using its Accumulation Plan to make periodic investments and to plow back dividends have passed the 7,000 mark, according to Francis F. Randolph, Chairman of the Board and President. At Oct. 31, 7,103 Accumulation Plans for shares of the 22-year old fund were in use. This meant that 39% of all National Investors' shareholders were using the convenient facilities and services provided by this Plan.

The number of Plan holders of the $90 million fund has continued to grow steadily. Starting at 5,440 at the beginning or 1958, the figure rose by 31% in the ten months to Oct. 31. The 7,103 Plans on that date covered 1,880,345 National Investors shares.

Shares covered by Accumulation Plans averaged 264.73, an the average holding had a value of $3,020.59 on Oct. 31.

Wellington Fund Men Attend Philadelphia Sales Conference

(Very top row) William S. Knox, Thomas P. Emmons, Danforth Field II, Victor J. Brady, Danforth Field, E. Martin Engwis, Charles E. Kimball, Robert D. Duncan, William H. L. Sullivan, Bruce Bales, Randal M. Keater, Jr, Rawson Lloyd, Robert J. Ogilvie, Lawrence Connell, Richard J. Beall, James E. Halbkat, A. Bruce Brower, Henry S. Grove, Joseph E. Canning, Lewis G. Kearns, Henry C. Dugan, A. Moyer Kulp, Claude D. Mackay, C. Howie Young. (Bottom row) Joseph E. Welch, A. J. Wilkins, Walter L. Morgan.

Madison Fund to Remain Closed-End

Recent financing by Madison Fund, Inc. was not a step toward open-end status, according to Edward A. Merkle, President of the closed-end investment trust. He said that questions raised during a recent six-city tour of financial institutions prompted the statement at this time.

"We have taken three moves to put us in better competitive position," he declared. "One, we made it possible for our stockholders to reinvest their capital gains with the same ease as mutual fund investors. Two, we changed the name from The Pennroad Corporation to eliminate the popular misconception that we were a railroad holding company. And three, we added $20 million to our investment funds through the one-for-four rights offering to stockholders to spread operating costs over a larger number of shares."

Although the recent increase in capitalization from 5,000,000 to 6,433,095 shares has temporarily resulted in slightly lower per share investment income, Madison Fund will in all likelihood maintain its $0.15 quarterly income dividend. With realized capital gains of $0.56 per share on the new capitalization reported for the first nine months of 1958 and more established in the interim, the annual distribution early in 1959 should equal the $0.63 declared in February, 1958.

At present, the Madison Fund portfolio is approximately evenly divided between defensive and cyclical issues. "We expect to continue this way," Mr. Merkle stated, "until there is a more tangible reason for the high prices of many popular stocks. Our conviction is that current price-earnings ratios on many stocks are much too high."

As evidence of the 50-50 defensive and cyclical investment policy, he cited recent investments as including two banks (First National City and Chemical Corn Exchange), some chemicals (including Stauffer, Dow and Tennessee Corporation), and American Airlines.

Madison Fund currently has about 10% of its assets in cash and short-term bonds, as against a normal position of less than 5%, because this seems to be a proper cash reserve at the current level of this market.

Massachusetts Life Fund Gains

The Massachusetts Life Fund's total assets reached an all-time high at Sept. 30, 1958, Lawrence A. Sykes, President of the Trustees, announced.

In his quarterly report to shareholders, Mr. Sykes pointed out that the Fund's net asset value increased from $33,524,951 a year ago to $44,062,711 during the 12-month period, an increase of 31.3%.

New investments during the quarter included common stock purchases of leading companies in the steel, building, farm implement and railroad fields.

The Fund's shares are held in trust by the Massachusetts Hospital Life Insurance Company, the nation's oldest corporate trustee, which was incorporated in 1818. In the Fund is a portion of Benjamin Franklin's bequest to the City of Boston.

Barringer Cautions On Market Trend

Commenting on the market's recent decline in his Nov. 25 Directors' Letter, Delaware Fund's D. Moreau Barringer said that while it is still too early to tell whether this is only a temporary tremor or the forerunner of something far more reaching, a small craft warning has certainly been hoisted to replace the almost monotonous prediction of fair weather which has been with us for so long.

Mr. Barringer recalled that since the market started on its historic climb last March, it has almost escaped the setbacks euphemistically called corrections. "Without hesitation," he commented, "stocks have moved upward to a point at which they are yielding considerably less than bonds, and at which the Dow Jones Industrial Average is appraised at over 20 times the earnings of the latest 12 months." Clearly, he reasons, investors buying stocks at such prices either have their eyes hopefully fixed on indefinitely expanding earnings, or are motivated by an overwhelming fear of the destructive power of inflation on all other forms of investment.

While both explanations probably contain some of the truth, Mr. Barringer went on, the relatively sluggish action of real estate and commodity prices point to the conviction of ever-rising earnings as the more powerful motive.

It is axiomatic, the mutual fund executive contends, that a market built upon such hopes is vulnerable to reversal, and he cited the recent sharp reversal as proof of this.

In his latest Letter, Mr. Barringer also reported the complete elimination of Brunswick-Balke-Collender from Delaware Fund's portfolio. This company, he said, whose well-timed entrance into the field of automatic bowling pinspotters brought it a huge increase in earnings, has turned in a sterling market performance. But, he told his board, it seemed advisable to accept the profit on this holding in view of the company's predicted earnings being realized, its stock having risen 250% above the 1957 low, and other competitive considerations.

Keystone S-3 Assets Almost Doubled

Total net assets of Keystone Growth Common Stock Fund S-3 almost doubled in the past year, President S. L. Sholley told 22,272 shareholders in his annual report for the fiscal year ended Oct. 31. Part of the increase was attributable to the investment of more than $12,300,000 of net new capital during the period, the largest amount of annual purchases since the fund's inception.

Total net assets went to $41,000,827 for S-3 at the end of the year, while the total for all Keystone funds passed the $400,000,000 figure in November. The S-3 report shows a 29% increase in net asset value per share, 49% in number of shares, and 61% in number of shareholders.

Keystone S-3 paid a regular semi-annual distribution of 14 cents per share from net investment income and a special distribution from realized capital gains of eight cents per share. More than 71% of the fund's investors have chosen to reinvest both distributions under Keystone's Open Account Plan, thus taking advantage of the compounding principle that has helped produce such spectacular results for the fund and for the investment company industry in the past 10 years.

Comparative figures in the report show the results from a hypothetical $10,000 investment in Keystone S-3 made on Dec. 31, 1947. If all distributions had been taken in cash, the shareholder's account would be worth $19,414 and he would have received $6,311 in investment income and $8,996 in realized profits. If he had taken investment income distributions in cash and reinvested capital gains distributions, his account would be worth $32,984 and he would have received $7,454 in income. But if he had reinvested all distributions, his $10,000 would have grown to $51,056 during this 10-year 10-month period of generally rising markets.

Investment changes included additions in common stock in American Airlines, American Potash & Chemical, Ampex Corp., Denver & Rio Grande Western RR., I.T. & T., Marquette Cement Mfg., Superior Oil Co. of California, and Worthington Corp. Eliminations were made in Bendix Aviation, Grand Union, Outboard Marine and Seaboard Oil Company.

Pacific Gas & Elec. 4½% Bonds Offered

The First Boston Corp. and Halsey, Stuart & Co., Inc. yesterday (Dec. 3) headed an underwriting syndicate which offered an issue of $65,000,000 Pacific Gas & Electric Co. first and refunding bonds, 4½% series DD, due June 1, 1990, at 100% and accrued interest. Award of the issue was won by the group at competitive sale Dec. 2 on a bid of 99.301%.

Net proceeds from the sale of the bonds will be applied by the company toward the retirement of short-term bank loans incurred in connection with the construction program, and toward the cost of additions to its properties. It is estimated that construction expenditures for 1958 will amount to approximately $186,000,000.

The series DD bonds will be redeemable at prices ranging from 105% to par, plus accrued interest. However, prior to Dec. 1, 1963, none of the bonds may be redeemed either at the option of the company or for the sinking fund, with funds incurred at an interest cost to the company of less than the interest cost of the series DD bonds.

Pacific Gas & Electric Co., with its principal executive offices in San Francisco, Cal., is an operating public utility engaged principally in furnishing electric and gas service throughout most of northern and central California. The area served has an estimated population of around 6,310,000. On Sept. 30, 1958, the company had 1,834,840 electric customers, about 87% of which are also served with gas.

For the 12 months ended Sept. 30, 1958, the company had total operating revenues of $527,102,000 and net income of $83,478,000.

With Brush, Slocumb

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—James P. Walsh is now with Brush, Slocumb & Co. Inc., 465 California Street, members of the New York and Pacific Coast Stock Exchanges.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

SANTA ROSA, Calif.—John C. Knorpp is now affiliated with Reynolds & Co., 211 Exchange Avenue.

New Firm Name

DALLAS, Texas—The corporate name of Dallas Union Securities Company, Adolphus Tower, is now Dallas Union Securities Co., Inc.

With Richard Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Earl L. Jensen has become affiliated with Richard A. Harrison, Inc., 2200 16th Street.

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Is the Globe Big Enough for Capitalism and Communism?

more you spend on armaments, in fact, the more you have to spend. Then he quickly enumerated half a dozen programs, to which the Soviet Union has committed itself, and for the rapid accomplishment of which the maximum of money and labor are required.

At the top of his agenda was a broad expansion of schools, colleges, and other educational facilities, requiring hundreds of thousands of new buildings and additional teachers.

Second came an ambitious housing and home building program. "You will observe the great number of apartment houses that have been put up in Moscow," Mr. K said. "We have only started. We want every citizen of the Soviet Union to have a comfortable modern home."

Next Mr. K called attention to important developments under way in the agricultural field, in which he takes particular interest and pride because of his own farm background. He mentioned that he had opened up great areas of virgin territory. He wants to expand that program, while also introducing the most modern scientific agricultural methods on all farms, old and new.

Also prominent on Mr. K's list was a transportation plan calling for new highways as well as substantial additions and improvements to existing railroad facilities. Large scale expansion of Soviet electric generating and transmitting facilities is also in progress. Attention is also being turned to the chemical industry, and so on down the list.

Mr. K Suggests U.S.-U.S.S.R. Trade and Friendship

"To take our country from its backward position of 40 years ago to the modern ideal we hold for it calls for unlimited capital and for the labor of all of our people," Mr. K stated emphatically. He added that machinery, equipment and materials from the United States could be used in these vast Soviet expansion programs, and that there should be profitable opportunities for trade between our two countries. By engaging in mutual trade, furthermore, he felt that we might find a way of establishing friendship between our two nations.

Then Mr. K made the observation that I consider the most significant of the entire long discourse. If by some means, he said, genuine cooperation and understanding could be created between the Soviet Union and the United States, if these two most powerful nations the world has ever seen could come to work together in harmony, all of the political disturbances in every other part of the world would be adjusted by compromise and peaceful means, instead of becoming the occasion for fomenting renewed bitterness and hatred between the U.S.A. and the U.S.S.R. Both of these giant nations are so extensive geographically and so richly endowed in natural resources that neither needs have much incentive to impose on other countries. If the two giants agree, the rest of the world will pose no major problem. This suggestion, I believe, is realistic and offers promise of a workable peace.

Mr. K Hears That Capitalism Is Ideal for U. S.

For my part, I told Mr. K I thought capitalism had produced excellent results in my country, and would remain the ideal system for us. I reminded him that Andrew Carnegie, perhaps the most successful steel man in our history, had dedicated his large fortune to the promotion of peace and education, and I suggested that the Russians consider Carnegie as a typical American capitalist. I told Mr. K that anyone who pictured the American businessman as encouraging war preparation in order to sell more iron ore, coal and steel, misunderstood the United States. I stated that I had long advocated a working partnership between capital and labor, and that I liked to have the men and women who work for companies with which I am associated become stockholders, as I believed that the ownership of American industry should be widely diffused.

Mr. K did not overlook the opportunity to inject good-humoredly at this point that while he considered this a commendable policy, in his country they did even better: the people owned everything. He went on to assert that he had no desire to try to change the form of government or the system of economics of America. He added that the Soviet Union was eager to live on good terms with the United States, and that he wished the United States would stop our worldwide denunciation of the Soviet system, and cease to try to ring Russia with missile and bomber sites. (Neither of us raised the point, but I had a graphic mental image of our own agitated state of mind if the Soviet Union were able to build similar installations in Canada and Mexico.)

Does U. S. Foreign Policy Follow The Election Returns?

I told Mr. K that I had been a lifetime student of Russian history and Russian literature. In recent years, I noted, I had enjoyed meeting Russian scientists, scholars, journalists and others visiting North America and, from my visit to the Soviet Union, I had become convinced of the friendliness of the Russian people. I expressed the view that we ought to reach friendship and understanding, and that we should trade with each other, and I ventured to suggest thata, in due course, the American industrialist, the American labor leader and the American farmer would demonstrate that they agree with me. Meanwhile, I suggested patience and forbearance on the Russian part. I also invited Mr. K to watch the election returns carefully in November, to see if the American voters did not express strong sentiment in favor of fresher and wiser foreign policies.

In the course of our discussion, when I commented on Mr. K's ability to speak decisively for his country, he replied emphatically, "Any policy I announce must first be discussed with the cabinet and backed by it. Furthermore, we make no decision unless we are sure it will have the support of the people." Mr. K added that the cabinet customarily meets several times a week, and holds daily meetings in times of emergency.

In reply to my question, how can our two countries move toward friendship and understanding, Mr. K said that a first and important step would be a good will visit from President Eisenhower to the Soviet Union. Mr. K thought it would be fruitful for the President to determine the friendliness of the Russian people and their government for himself, and to observe at first hand the progress that the nation was making. For his own part, Mr. K said he would like to pay a visit to the United States and Canada, to see for himself our great cities, our industrial companies, our railroads and our agriculture. I told Mr. K that this sounded like a good sensible program to me, and that, in my modest and unofficial way, I would encourage it.

U. S. Specialists Testify to Soviet Progress

On this subject of see-for-yourself trips, I should like to call attention to three distinguished delegations of specialists who have visited the Soviet Union and come away impressed, in recent months. The steel group was headed by Edward T. Ryerson, retired chairman of the board of Inland Steel Company. Walker L. Cisler, President of Detroit Edison Company, led the electric power group. Prominent among the educational delegation was my longtime friend Dr. T. Keith Glennan, former member of the Atomic Energy Commission, who not long ago left the presidency of Cleveland's Case Institute of Technology to become head of the new National Space Agency.

No one can conceivable write these men off as being weak in the intellect or lacking in devotion to their country. The accounts they and those who accompanied them have given of what they saw can certainly be accepted as reliable by their fellow Americans. While their reports were issued with restraint, they all emphasize the great progress Russia has made in the respective fields of steel, electric power and education. What is more, all of these men testify to the friendliness and kindness of the Russian people.

If visits like these can be productive, would it not be worthwhile to have a political delegation headed by the President go to the Soviet Union? With America spending $50,000,000,000 a year for defense, and the fate of humanity at stake, surely the head of our government, with his fine personality and his infinite capacity for friendship, can afford to make an attempt to deal directly with his Russian counterpart on the ground.

The Globe IS Big Enough for Both Capitalism and Communism

By this time, I think it must be abundantly clear to you that I emphatically believe the globe is big enough for both capitalism and communism. For capitalism to flourish as I am convinced it can, though, I suggest that rapid and radical changes are required not only in our international relationships, but also in our domestic industrial relationships.

I have already had considerable to say about our freign policies. Let me go further and suggest that we urgently need a new Secretary of State. Mr. Dulles goes gaily on gambling with the destiny of the world, without restraint from any quarter. Rejected by the voters of his own state when he ran for office in New York, and then elevated to high office by appointment, he evidently is impervious to the 1958 election returns, which his inflammatory activities helped to render catastrophic for the Republican Party. He blithely courts the ultimate world catastrophe of the bomb, without consultation with even the Senate Foreign Relations Committee and the House Foreign Affairs Committee.

U. S. Foreign Policy Has Lost International Friends

Let's take an objective look at the present state of our international relations. When I came to the United States from my native Canada at the beginning of the century, this was the only major nation in the world without a single enemy. Since then we have contrived to tread on the toes of practically every country on earth. We are constantly meddling in both the internal and external affairs of other nations, friendly and unfriendly.

Our critics are not confined to communist nations. When I traveled through Europe recently, I was chagrined to discover that the newspaper of such countries as Denmark, France, Germany, Austria and England were unanimously critical of our Formosa Strait policy. Our high government officials can no longer visit the republics of South America without inciting riots. In Canada, our near neighbor and best customer, the latest Federal election was won by the party that proclaimed its lack of warmth, if not its downright hostility, to the United States.

U. S. State Department Simulates The Ostrich in China Policy

We have elected to invite the enmity of the 600,000,000 Chinese on the mainland, and have substituted for our old friendship with that proud and powerful nation a futile alliance with Chiang Kai-shek, an exiled has-been whom we have installed and maintained on a neighboring island at fantastic expense to the American taxpayer. Thanks to the ostrich-like antics of our State Department, few Americans have been permitted to go see for themselves what is happening in the People's Republic of China. We can take the word of such reliable and distinguished Canadians as James Muir, head of the Royal Bank of Canada, and Dr. J. Tuzo Wilson, President of the International Union of Geodesy and Geophysics, who have been in China this year. Banker and scientist alike testify to the tremendous advances of the Chinese in all fields. Muir's injunction to his fellow businessmen, on his return to Canada, was to trade with China or miss the opportunity of a lifetime.

Now let's consider the alternatives to reaching a livable accommodation with communism. Through the Pugwash conferences I have for several years been trying to promote understanding on a private and informal level between scientists and scholars of East and West. The proceedings and conclusions of our several Pugwash Conferences of Nuclear Scientists have been made available to the heads of the world's major states, as well as the Pope and the United Nations. From President Eisenhower, India's Prime Minister Nehru, The Vatican, Canada's Prime Minister Diefenbaker, Yugoslavia's President Tito, to name just a few, have come letters endorsing the purpose of the Conferences. When I was introduced to Premier Khrushchev in Moscow, his first words were, "I have personally read the Proceedings of the Pugwash Conferences, and I want to thank you on behalf of the Soviet people for bringing the scientists of the world together. It is a highly constructive move."

Pugwash Scientists Warn Against Nuclear Annihilation

At the recent Third Pugwash Conference of Nuclear Scientists, 80 experts gathered from 22 eastern and western nations to consider "The Dangers of the Atomic Age and What Scientists Can Do About them." Bear in mind that all that united these participants was that they were scientists and that they had given much of their individual thought to the implications of modern science for the future of mankind. At the conclusion of their meetings, they reached the unanimous conclusion that enough atom and hydrogen bombs have now been stockpiled by both sides to blow all the cities off the face of the earth and to annihilate all their inhabitants. They further agreed that there is no defense, civil or military, against the bomb.

In the absence of an understanding between the capitalist and the communist nations, both sides will go on increasing their lethal stockpiles. Twelve years of this cold war have already cost astronomical amounts. Ever-increasing expenditures have been accompanied by ever-increasing hatred and bitterness. Continuation of the cold war will create a crushing burden of taxation that will bankrupt us.

Meanwhile, make no mistake about this: every day that the arms race continues, the chance of mutual destruction grows greater. Any day, by accident or by design, some fool, some fanatic, even some fumbler, may touch off the explosion that will cause the holocaust. Consider the consequences from your personal standpoint. One hydrogen bomb dropped anywhere within 40 miles of Detroit, whether in the lake or on the land, will obliterate every form of life in this great city and reduce all its institutions to dust and ashes.

Friendship With Russia vs. Cold and Hot Wars

Which course shall we choose? Certainly the risk in a treaty of peace and friendship with the Soviet Union is fraught with far less hazard to humanity than either the cold war or the hot war.

Assume that we do reach an understanding with Russia. What steps must we take at home to make sure that capitalism will flourish on the same globe that also holds communism?

First we will have to stop fussing about the progress of other countries. The Soviet Union, Red China, India and Africa are determined to create their own successful industrial civilizations. We will have nothing to fear from any part of the world if we concentrate on upbuilding our own capitalistic system.

At the same time, I should like to suggest that our government quit subsidizing socialism in other countries. If a nation forbids American corporations or individuals to have a financial interest in one of its natural resources or any of its other business institutions, our government has no business turning the American taxpayers' money over to that nation to create state-owned enterprises to develop those natural resources or conduct those other businesses.

How We Can Make Our Capitalism Flourish

To begin with, all of us, whatever our calling, are going to have to repledge our allegiance to the old-fashioned credo of joyful hard work that originally made America great. We must give close attention to the physical fitness and the mental development of every man, woman and child in the United States.

Next we must search for further and surer ways to ward off the depressions and recessions with which our economy is periodically beset. Few if any of you will remember the financial panics of 1907, 1914 and 1921. Some of you will recall, and vividly, the depression that began in 1929 and took years to run its course. Our weak banking system was the root of our trouble then and, while we have strengthened it some since, we still have a distance to go.

Black Friday, Oct. 18, 1929, has gone down in history as the fateful day when the stock markets started their downward plunge. The following Monday, Oct. 21, when I was in Detroit for a celebration of the 50th anniversary of the invention of light, with such familiar figures as Thomas Alva Edison, Henry Ford and President Herbert Hoover, word came that panic had struck the markets. The banks started falling all over one another to see which could sell out their customers fastest, in an effort to keep liquid. This, of course, heightened the crisis. Before the ensuing debacle was over, the stocks of sound companies had shriveled almost to nothing, and business had ground almost to a standstill.

Two examples from among my own companies will suffice as illustrations. The stock of a great industrial like Sherwin-Williams, which today has a market around $190 a share, sold down to $7 a share. The stock of the conservative old National Refining Company, whose assets in 1929 consisted largely of cash and government bonds, plummeted from $50 to 25c a share.

I am not attempting to prove that there would have been no 1929 readjustment if our banking system had been stronger, but I do firmly believe we could have avoided the depths to which the combination of weak banks and our own emotionalism carried us. We still need larger and more powerful banks.

U. S. Needs Rapproachement Between Capital and Labor

Now I come to what I consider the most important step we must take to give our capitalism fresh impetus. Just as we need a rapproachement between east and west on the international scene, we need a warmer understanding between capital and labor on the domestic front, with the full approval and cooperation of the farmer.

To get started in this direction, I suggest that, in every important industry in the United States, there should be a meeting at least once a month between top management and labor leaders, to discuss their mutual problems in a friendly spirit. Wisdom and restraint are required on both sides. The business leaders responsible for putting right-to-work legislation on the ticket this year hopefully learned some lesson from the defeat not only of this phony measure, but also of the candidates who went down with it.

New U. S. Leadership Needed for New Era of Enlightened Capitalism

Let me conclude on an optimistic note, for I fervently believe that we can carry American capitalism to new heights. We need additional leadership and, with all due credit to the politician, who must be elected, and to the editor, who cannot get too far ahead of his constituency, I think we must look beyond these old sources. I should like to "nominate" the industialist, the labor leader and the farmer, as representing the indispensable elements of dynamic capitalism. Let the teacher, the preacher and the scholar add their best thinking, and I know we can look forward to a new era of enlightened capitalism that will excite the admiration of the entire world.

Their Own Salvation

"We attach a great deal of importance to the demonstration by the free countries of Asia of a capacity to improve the living standards of their people. We believe that unless that capacity is demonstrated there will be a very great danger that in desperation they will say, 'Cruel and ruthless as the Communist method is, we would accept it rather than stay in continuing economic stagnation.'

John Foster Dulles

"Now there is no reason that we see why they should stay in continued economic stagnation. In freedom, they should be able to find the ways to raise their living standards. It has always got to be done primarily by the efforts of the people themselves. But also there is need to supplement that, and the Colombo Plan is a way of coordinating the efforts in that respect of the more mature countries that have capital resources, coordinate their efforts in these programs for the countries of South and Southeast Asia." — Secretary of State John Foster Dulles.

"By the efforts of the people themselves" it will be done, for the most part, or it will not be done. Let's not forget that simple but vital fact.

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The Business Outlook

the year and in the first half of 1959.

New-home building, which was greatly affected by the unusually severe weather conditions of last winter and the contraction in business, rose recently to levels indicating about 1,150,000 starts for the year as a whole as compared with 1,040,000 in 1957. Advances in contract awards, observed in the last few months, point to a continuation of a high level of activity in this sector at least up to the second quarter of next year. The recent improvement in residential construction centered in government-backed housing, reflecting rather an easing in money market conditions and in the insurance eligibility requirements of the FHA, than the strengthening of the basic forces underlying the demand for homes. Now that about 15 million of new dwellings have been completed since the end of World War II and household formation has been running at considerably lower levels, short-run factors apparently determine fluctuations in residential building. Thus it would not be surprising to see housing starts next year decline again under the impact of rising interest rates.

Public construction in January-October of this year was 6% above the like period of a year ago. It may be expected to increase further in 1959.

Inventories and Government Spending

Government expenditures have expanded in each of the four past quarters by $1.0 billion to $2.0 billion, at annual rates. These increases, however, stemmed primarily from the state and local component. Prospects are that Federal purchases, because of higher budget and defense requirements, will move up during this fiscal year by $4.0 billion to $5.0 billion. State and local government outlays are likely to continue to expand at a $2.5 billion to $3.0 billion annual rate.

Inventories, which together with government expenditures were the main factors in the present business upturn, probably will experience the end of their liquidation in the current quarter as mutually reinforcing increases in activity in various sectors of the economy will bring them closer in line with expanding sales. A moderate accumulation of stocks will probably start in the first quarter of 1959.

A glance at the historical record of business fluctuations since 1920 indicates that the latest contraction of eight months was the shortest along with that of 1938, which also was of the same duration. Although the size of the decline in production from the peak through in the 1957-58 recession of 13% was somewhat greater than the declines of 10% which occurred in each of the two preceding contractions, it is doubtful that all basic maladjustments responsible for the latest dip in business were entirely eliminated. Thus, the recovery under way takes place in an economic environment where excess productive capacity is greater in relation to output at the peak of the latest expansion than in the previous declines, while both consumption and housing demand essentially are lacking the exuberance which characterized them in the greater part of the postwar period. Financing of many important areas of activity through credit, a factor that greatly contributed to rapid rises in business in recent years, is likely in the current recovery to be more controlled and conservative.

Although, against this background, the possibility should not be excluded that the recovery may run out of steam before it develops in a full-fledged expansion, the probability is that business activity, vitalized by the current expansive forces at work, will continue to advance to higher levels throughout the remainder of 1958 and into 1959. If the momentum of this increase and optimistic business expectations created by it generate a new investment boom, the prosperity period will probably be prolonged, but the economy may be heading for new and more serious trouble in the not too distant future.

With Richard E. Kohn

NEWARK, N. J. — Robert L. Tokar is now associated with Richard E. Kohn & Co., 30 Clinton Street, members of the New York Stock Exchange, as a Customers Representative.

B. C. Morton Officer

BOSTON, Mass. — Albert A. Brown has been appointed Vice-President in charge of sales of B. C. Morton & Co., 131 State Street. Mr Brown, who became associated with the firm in 1955, has been Manager of the Buffalo office.

Powell Adds to Staff

FAYETTEVILLE, N. C.—Robt. D. Baskervill has been added to the staff of Powell and Company, Inc., 120 Anderson Street.

N. St. Clair Kramer

N. St. Clair Kramer, associated with Glore, Forgan & Co., New York City, passed away Nov. 26 at the age of 54 following a brief illness. Prior to joining Glore, Forgan & Co. he had been with Francis I. du Pont & Co.

Public Utility Securities

By OWEN ELY

Piedmont Natural Gas Company

Piedmont Natural Gas serves the Piedmont area of North and South Carolina, which has a population of 665,000 and includes the cities of Charlotte, Winston-Salem, Greensboro, High Point, Salisbury, Thomasville and Burlington in North Carolina; and Greenville, Spartanburg and Anderson in South Carolina. This section is one of the fastest growing areas in the country, both in population and industrial development.

The area has a great abundance of hydro power, which resulted in many factories being located there in earlier days. As a result the Piedmont Carolinas with their 24,000 square miles lead any equal-sized areas in the South in population, income and business volume. However, 70% of the area remains in small farm lands, and the farmers furnish a fine supply of part-time workers. Industries in the area include textiles, furniture and forest products, chemical and allied products, ceramics and glass, tobacco processing and manufacture and food products. Agricultural products include cotton, corn, tobacco, hay, fruit and vegetables; one county alone in 1953-54 produced more peaches than the whole State of Georgia.

The company serves about 51,500 customers, including 124 industrial customers which take interruptible gas. There are 1,500 textile mills in the area employing over 356,000 people; the furniture industry employs 43,000. Major warehouses of seven steel firms are located in Charlotte to service textile, chemical and paper plants. Reynolds Tobacco recently announced plans for a new $25 million plant.

The company began its career by taking over the gas system of Duke Power which served 14 cities, and conversion to natural gas was completed in 1952. Piedmont in 1951 obtained a small allocation of natural gas from Transcontinental Gas Pipe Line (about 5,000 mcf). This was quadrupled in two years and has since increased to 40,000 mcf for this year and 48,000 (requested) for the heating season of 1959-60. The cost of gas at 100% load factor is now about 33.4 cents per mcf.

In 1951-52 the company was in the red. In addition to the cost of changeover to natural gas, much repairing of mains and meters was found necessary, but the company has now reduced the percentage of lost gas from 26% to 3%. A modern peak shaving plant has been completed. The number of customers has increased 40% since 1952. The excess of summer gas is sold to large industrial customers on an interruptible basis at competitive prices, which helps to maintain a good year-round load factor.

The number of house-heating customers has increased to over 30,000, representing a saturation of 58%, and the company expects to raise this to 100%. Gas air-conditioning is now being pushed —25 units have been sold an at least 200 units are expected next year. Gas for house-heating and water-heating are now being used in 90% of new homes where gas is available. Revenues in 1957 were 41% residential, 31% industrial and interruptible, and 21% commercial.

During the difficult early years the equity ratio ranged between 5% and 21%, but as of recent date the ratios were debt 63%, preferred stock 12% and common stock equity 25%.

In 1953, with conversion to natural gas completed, the company was in the black with earnings of 50 cents a share plus a tax credit (resulting from a loss carry-forward) of 40 cents. In 1954, they earned 95 cents plus a tax credit of 88 cents. In the next year earnings were stepped up to $1.17 plus a credit of 28 cents. In 1956 with full taxes now being paid, earnings were $1.32, and for 1957, $1.48. For the 12 months ended June 30, 1958, earnings reached $1.96 and President Duncan estimates about $1.85 for the calendar year 1958 — of which about 15-20 cents are extra earnings resulting from the very cold weather in the last heating season. Thus, if special factors be eliminated from share earnings, they have shown a steady increase from 50 cents in 1953 to perhaps $1.70 (on a basis of normal weather) for 1958.

Another favorable factor in the last year or so has been the increased industrial growth of the Carolinas, despite the recession; an important contributing factor was the more liberal tax law enacted in both states. The company expects that its rapid growth will continue and that plant will about double in value over the next five years.

No dividends were paid until 1956 when quarterly payments at the rate of 20 cents were initiated. This rate has been increased twice this year to the present 25 cents. The annual $1 rate represents a payout of only 54% so that a further increase in 1959 might be warranted, assuming a normally cold winter.

The common stock has recently been quoted over-counter around 28½ to yield 3.5%. The price-earnings ratio based on $1.85 would approximate 15.4 which seems reasonable for a "growth utility," although allowance must be made for the weather stimulus to earnings.

Am. Int. Bowling Corp. Common Stock Offered

A syndicate headed by J. A. Winston & Co., Inc. on Dec. 1 offered 700,000 shares of American International Bowling Corp. 10 cents par common at $3 per share.

The company will use the proceeds from 420,000 shares for opening expenses in connection with the eight bowling centers contemplated to be operated by it. Excess funds will be added to the working capital of the company and will be available for any proper corporate purpose, including without limitation, the acquisition of additional bowling centers. The company expects to finance the balance of equipment required in its bowling centers by incurring commitments with a leading manufacturer of bowling equipment. As of Sept. 15, 1958, commitments were entered into by the company's subsidiaries for automatic pinsetters, 40 bowling lanes and auxiliary equipment at Ramsey, N. J. located at the intersection of Route 17 and Franklin Turnpike. The seven additional bowling centers proposed to be operated by the company under leases will contain approximately an aggregate of 256 lanes.

Associated with J. A. Winston & Co., Inc. are: Alkow & Co., Inc., Netherlands Securities Co., Inc., Bruno-Lenchner, Inc. and Vermilye Bros.

New Issues

$100,000,000

STATE OF CALIFORNIA

5%, 3¾%, 4¾% and 3½% BONDS

ISSUES, AMOUNTS, RATES, MATURITIES AND YIELDS OR PRICES

(Accrued interest to be added)

State Construction Program Bonds, Act of 1955, Series A

Dated December 1, 1958
Due December 1, 1959-83, incl.

Amount	Coupon Rate	Due	Yield or Price†
$1,600,000	5%	1959	1.80%
1,600,000	5	1960	2.20%
1,600,000	5	1961	2.45%
1,600,000	5	1962	2.70%
1,600,000	5	1963	2.85%
1,800,000	5	1964	3.00%
1,800,000	3¾	1965	3.00%
1,800,000	3½	1966	3.10%
1,800,000	3½	1967	3.15%
1,800,000	3½	1968	3.20%
2,000,000	3½	1969	3.25%
2,000,000	3½	1970	3.30%
2,000,000	3½	1971	3.35%
2,000,000	3½	1972	3.40%
2,000,000	3½	1973	3.45%
2,200,000	3½	1974	100
2,200,000	3½	1975	100
2,200,000	3½	1976	100
2,200,000	3½	1977	3.55%
2,200,000	3½	1978	3.55%
2,400,000	3½	1979*	3.60%
2,400,000	3½	1980*	3.60%
2,400,000	3½	1981*	3.60%
2,400,000	3½	1982*	3.65%
2,400,000	3½	1983*	3.65%

†Yield to maturity.

*Bonds maturing 1979-83, subject to call at par, plus accrued interest, on and after December 1, 1978, as described

State School Building Aid Bonds, Series S

Dated December 1, 1958
Due March 1, 1961-85, incl.

Amount	Coupon Rate	Due	Yield or Price†
$1,600,000	5%	1961	2.45%
1,600,000	5	1962	2.70%
1,600,000	5	1963	2.85%
1,600,000	5	1964	3.00%
1,600,000	5	1965	3.10%
1,800,000	5	1966	3.15%
1,800,000	4¾	1967	3.20%
1,800,000	3½	1968	3.20%
1,800,000	3½	1969	3.25%
1,800,000	3½	1970	3.30%
2,000,000	3½	1971	3.35%
2,000,000	3½	1972	3.40%
2,000,000	3½	1973	3.45%
2,000,000	3½	1974	100
2,000,000	3½	1975	100
2,200,000	3½	1976	100
2,200,000	3½	1977	3.55%
2,200,000	3½	1978	3.55%
2,200,000	3½	1979	3.60%
2,200,000	3½	1980	3.60%
2,400,000	3½	1981*	3.60%
2,400,000	3½	1982*	3.65%
2,400,000	3½	1983*	3.65%
2,400,000	3½	1984*	3.65%
2,400,000	3½	1985*	3.65%

†Yield to maturity.

*Bonds maturing 1981-85 subject to call at par, plus accrued interest, on and

STATE CONSTRUCTION PROGRAM AND STATE SCHOOL BUILDING AID BONDS

Payment and Registration

Principal and semi-annual interest (June 1 and December 1) for the $50,000,000 State Construction Program Bonds and (March 1 and September 1) for the $50,000,000 State School Building Aid Bonds payable, at the option of the holder, at the office of the Treasurer of the State of California in Sacramento, California, or at the office of any duly authorized agent of the State Treasurer, including the agent of the State Treasurer in New York, N. Y. First Coupon payable March 1, 1959, on the $50,000,000 State School Building Aid Bonds. Coupon bonds in denomination of $1,000 registrable only as to both principal and interest.

Redemption Provision

State Construction Program Bonds maturing on and after December 1, 1979, are subject to redemption at the option of the State, as a whole or in part, on December 1, 1978 (but not prior thereto) and on any interest payment date thereafter, at the principal amount thereof and accrued interest thereon to date of redemption. State School Building Aid Bonds maturing on and after March 1, 1981, are subject to redemption at the option of the State, as a whole or in part, on March 1, 1980 (but not prior thereto) and on any interest payment date thereafter, at the principal amount thereof and accrued interest thereon to date of redemption. Publication of notice of redemption shall be once a week for two weeks not less than 30 days nor more than 90 days prior to said date of redemption, in each of the Cities of San Francisco, Sacramento and Los Angeles, California. If less than all the bonds should be redeemed, they shall be called in inverse numerical order, the part so called not less than all the bonds maturing in any one year.

Tax Exemption

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

Legality for Investment

We believe these bonds will meet the requirements as legal investments for savings banks and trust funds in New York, California and certain other states and for savings banks in Massachusetts and Connecticut and will be eligible as security for deposits of public moneys in California.

Purpose and Security

State Construction Program Bonds, issued under the State Construction Program Bond Act of 1955 (Statutes 1955, Chapter 1709) and Section 4.5 of Article XVI of the Constitution of the State of California, for various construction program purposes, in the opinion of counsel are general obligations of the State of California payable in accordance with the State Construction Program Bond Act of 1955 out of the General Fund of the State. The full faith and credit of the State of California are pledged for the punctual payment of both principal and interest. The bonds are authorized for the purpose of providing the necessary funds to meet the major building construction, equipment and site acquisition needs for the departments of the State Government which are financed pri-

Tax Gain, Amortization of Premium

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

Legal Opinion

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

State School Building Aid Bonds, issued under provisions of State School Building Aid Bond Law of 1957 (Chapter 24, Division 3, Education Code) and Section 18 of Article XVI of the Constitution of the State of California for school purposes, in the opinion of counsel are valid and legally binding general obligations of the State of California payable in accordance with their terms out of the General Fund of the State, and the full faith and credit of the State of California is pledged for the punctual payment of both principal and interest. Under the enabling statute the State is obligated to collect annually, in the same manner and at the same time as other state revenue is collected, such sum in addition to the ordinary revenue of the State as shall be required to pay principal and interest on the bonds as the same become due. The bonds were authorized by the electorate on November 6, 1956, for the purpose of providing aid for school construction in the State, the amounts thereof to be repaid, in whole or in part, by the districts receiving aid.

Bank of America N. T. & S. A. — Bankers Trust Company — The First National City Bank of New York — The Chase Manhattan Bank — The First National Bank of Chicago — Halsey, Stuart & Co. Inc. — Blyth & Co., Inc. — The First Boston Corporation

Harriman Ripley & Co. Incorporated — Harris Trust and Savings Bank — Smith, Barney & Co. — Lehman Brothers — American Trust Company San Francisco — Security-First National Bank — California Bank Los Angeles — Drexel & Co. — Glore, Forgan & Co.

Chemical Corn Exchange Bank — C. J. Devine & Co. — Continental Illinois National Bank and Trust Company of Chicago — The Northern Trust Company — R. H. Moulton & Company — Goldman, Sachs & Co. — Kidder, Peabody & Co.

Eastman Dillon, Union Securities & Co. — Bear, Stearns & Co. — Merrill Lynch, Pierce, Fenner & Smith — Blair & Co. Incorporated — Weeden & Co. — The First National Bank of Boston — The First National Bank of Oregon — The Philadelphia National Bank

Seattle-First National Bank — Equitable Securities Corporation — Stone & Webster Securities Corporation — Dean Witter & Co. — Phelps, Fenn & Co. — White, Weld & Co. — Salomon Bros. & Hutzler

R. W. Pressprich & Co. — Paine, Webber, Jackson & Curtis — Mercantile Trust Company — Shields & Company — Reynolds & Co. — Crocker-Anglo National Bank — J. Barth & Co. — Ladenburg, Thalmann & Co. — John Nuveen & Co. (Incorporated)

William R. Staats & Co. — American Securities Corporation — Bache & Co. — Bacon, Whipple & Co. — A. G. Becker & Co. Incorporated — Alex. Brown & Sons — Clark, Dodge & Co. — Dick & Merle-Smith — Dominick & Dominick — Fidelity Union Trust Company Newark, N. J.

First of Michigan Corporation — First Western Bank & Trust Co. San Francisco, Calif. — Gregory & Sons — Hallgarten & Co. — Hayden, Stone & Co. — Hemphill, Noyes & Co. — Hornblower & Weeks — E. F. Hutton & Company — Laidlaw & Co.

Lee Higginson Corporation — Carl M. Loeb, Rhoades & Co. — F. S. Moseley & Co. — National State Bank Newark, N. J. — L. F. Rothschild & Co. — Schoellkopf, Hutton & Pomeroy, Inc. — Shearson, Hammill & Co. — Stroud & Company Incorporated

B. J. Van Ingen & Co. Inc. — Wertheim & Co. — Andrews & Wells, Inc. — Baxter & Company — J. C. Bradford & Co. — Branch Banking & Trust Company — Braun, Bosworth & Co. Incorporated — Coffin & Burr Incorporated — Francis I. duPont & Co.

Estabrook & Co. — First Southwest Company — W. E. Hutton & Co. — Kean, Taylor & Co. — The Marine Trust Company of Western New York — Laurence M. Marks & Co. — W. H. Morton & Co. Incorporated — Roosevelt & Cross Incorporated — Tucker, Anthony & R. L. Day

Bacon, Stevenson & Co. — Barr Brothers & Co. — The Boatmen's National Bank of St. Louis — City National Bank & Trust Company Kansas City, Mo. — Commerce Trust Company Kansas City, Mo. — R. S. Dickson & Company Incorporated — A. G. Edwards & Sons — Eldredge & Co. Incorporated

Fitzpatrick, Sullivan & Co. — Geo. B. Gibbons & Company Incorporated — Ira Haupt & Co. — Hirsch & Co. — The Illinois Company Incorporated — A. M. Kidder & Co., Inc. — Lawson, Levy, Williams & Stern — Wm. E. Pollock & Co., Inc. — F. S. Smithers & Co.

Stone & Youngberg — Taylor and Company — Spencer Trask & Co. — Trust Company of Georgia — Wachovia Bank and Trust Company — G. H. Walker & Co. — Wood, Struthers & Co. — Adams, McEntee & Co., Inc. — Robert W. Baird & Co. Incorporated

Baker, Watts & Co. — Barret, Fitch, North & Co. Incorporated — William Blair & Company — Bramhall, Falion & Co., Inc. — Dempsey-Tegeler & Co. — King, Quirk & Co. Incorporated — Irving Lundborg & Co. — Mercantile-Safe Deposit and Trust Company

National Bank of Commerce of Seattle — The National City Bank of Cleveland — Newhard, Cook & Co. — New York Hanseatic Corporation — The Ohio Company — Republic National Bank of Dallas — Schwabacher & Co. — Stern Brothers & Co. — J. S. Strauss & Co.

Tripp & Co., Inc. — Van Alstyne, Noel & Co. — Chas. E. Weigold & Co., Inc. — R. D. White & Company — Robert Winthrop & Co. — H. E. Work & Co. — Blunt Ellis & Simmons — City National Bank and Trust Company of Chicago

Julien Collins & Company — F. W. Craigie & Co. — First National Bank in Dallas — The First National Bank of Memphis — Glickenhaus & Lembo — G. C. Haas & Co. — Hannahs, Ballin & Lee — J. A. Hogle & Co. — Model, Roland & Stone

Moore, Leonard & Lynch — Mullaney, Wells & Company — Rand & Co. — Rauscher, Pierce & Co., Inc. — Shuman, Agnew & Co. — Stern, Lauer & Co. — Third National Bank in Nashville — J. R. Williston & Beane — Wood, Gundy & Co., Inc.

Anderson & Strudwick — Auchincloss, Parker & Redpath — C. F. Childs and Company Incorporated — John W. Clarke & Co. — Courts & Co. — Dallas Union Securities Co., Inc. — Shelby Cullom Davis & Co. — Dittmar & Company, Inc.

Elkins, Morris, Stokes & Co. — Fahey, Clark & Co. — Field, Richards & Co. — The First Cleveland Corporation — Freeman & Company — Ginther & Company — Hayden, Miller & Co. — Industrial National Bank of Providence

The Johnson, Lane, Space Corporation — Kalman & Company, Inc. — Kenower, MacArthur & Co. — Laird, Bissell & Meeds — McDonald & Company — Wm. J. Mericka & Co., Inc. — Northwestern National Bank of Minneapolis — Park, Ryan, Inc.

Putnam & Co. — Raffensperger, Hughes & Co. Incorporated — Reinholdt & Gardner — Rippel & Co. — Rockland-Atlas National Bank of Boston — Ryan, Sutherland & Co. — Schmidt, Roberts & Parke — J. C. Wheat & Co. — Malon S. Andrus, Inc.

Atkinson and Company — Brush, Slocumb & Co., Inc. — Davis, Skaggs & Co. — Dewar, Robertson & Pancoast — A. Webster Dougherty & Co. — Fahnestock & Co. — Federation Bank and Trust Co. — The Fort Worth National Bank

Granbery, Marache & Co. — Hill Richards & Co. A Corporation — Lyons & Shafto Incorporated — Mason-Hagan, Inc. — McCormick & Co. — McDonald-Moore & Co. — McDonnell & Company — W. H. Newbold's Son & Co. — Newburger, Loeb & Co.

D. A. Pincus & Co. — Provident Savings Bank & Trust Company — Seasongood & Mayer — Singer, Deane & Scribner — Sterne, Agee & Leach — Stubbs, Watkins and Lombardo, Inc. — Talmage & Co. — Thomas & Company

Chas. N. Tripp Company — M. B. Vick & Company — Watling, Lerchen & Co. — The White-Phillips Company, Inc.

December 4, 1958

A circular relating to these bonds may be obtained from any of the above underwriters, as well as other underwriters not shown whose names will be furnished on request.

Continued from first page

As We See It

have been having almost inevitably raise them. What is more, a growing proportion of the people of the country appear to be convinced that inflation is "inevitable." A great deal of the resistance to excesses of one sort or another which bring serious inflation seem to be melting away.

Many Prescriptions

Of course, among the economic doctors each has his own preventive. A number of business leaders of late have had something to say about how inflation ought to be prevented. Some of these prescriptions come from learned men like Professor Burns of Columbia University, and some come from practical men of business who have proved themselves exceptionally able in the field of private industry. Few if any of these suggestions are complete or fully rounded, and most of them seem to us to remain too much in the realm of the vague and uncertain. Such remedies as "cooperation" among businessmen, government and labor often leave open the highly important question of just what should be jointly sought. Some are quite unrealistic inasmuch as they demand things of government which government is not at all likely to do so long as popular demand does not insist upon it. At other times the demand is for steps by businessmen or wage earners which competitive conditions do not require or even suggest.

It would be a good thing if the rank and file of the people would sit down and do a little calm and careful thinking for themselves about this thing we call the danger of inflation, which in the public press and elsewhere is far too often discussed almost exclusively in terms of gold, Federal Reserve policy, labor union excesses, and alleged lack of competition among industrial concerns. Let us not forget that prices are still determined by demand and supply relationships. Any factor which tends to raise or lower such prices must take effect through changes in these relationships between demand and supply. It would appear that such elementary truisms would not need repetition at this or any other time, but evidence enough exists that all too many current commentators tend to forget or overlook this simple fact.

A Vital Truth

The second very elementary truth which must never be lost to sight is that these relationships may be and usually are affected by many and varied types of circumstances or events. No one in his right senses would deny that Federal Reserve policy, gold policies, foreign trade restrictions, or most of the other factors commonly mentioned are all among the causes of changes in the demand-supply relationships. But all too many of us are inclined to leave the matter there. The truth is that a much broader view is required if we are to understand the basic causes of the inflationary dangers that lurk ahead.

A society which produces just the goods that the people want and are willing to buy, and in which the purchasing power of the people is that which grows out of the production and distribution of these goods and services—without supplementation by arbitrary creation of funds through the banking or credit system or by government—could have no such thing as inflation. Production of things which no one wants (at prices commensurate with costs of production) and the compensation of the producers in part at least with funds arbitrarily created through the central and commercial banking systems inevitably throw supply and demand for other types of goods out of balance. Production of goods which do not go into the market—defense materiel, for example, with funds not withdrawn from current income is another certain disturber of economic balance. Monopolistic practices which enable one element or a limited number of elements in the population to take more of current production than they put into it is another factor which must throw economic relationships awry.

One particularly unfortunate aspect of these matters is the circumstance that the consequences of economic sins live long after the commission of the sin. Thus it is that funds arbitrarily created for war purposes or for New Deal-like programs stay in existence and may at any moment be utilized by their owners for the purchase of current output. It is for this reason that inflation may proceed in times like these even when money supply is not rising, but may even be declining. And it is for this reason that inflation may occur at a pace more rapid than might be expected from any given increase in money supply. This is the essential meaning of changes in the rate of deposit turnover at the commercial banks.

When the thoughtful man has turned these and similar facts over carefully in his mind, he is driven to the conclusion that avoidance of inflation in the years to come is a much more difficult task than is commonly supposed—and requires some basic changes in our public policies.

Continued from first page

Recession, Recovery and An Anti-Inflation Policy

and clear-cut answers can be given to the questions raised by those who are genuinely concerned with what the future might hold. The most any one person can hope to accomplish in the face of the numerous complexities is to throw just a little light upon the total problem. This is my goal at this time, and it will be done by attempting to answer the following three questions:

(1) What were the forces that brought on the 1957-58 recession?

(2) What are the forces currently leading us back to a position of full employment?

(3) Are we in for more inflation and a continued decline in the value of the dollar?

The answers to these questions should give us a little clearer picture of our current business situation and the probable trends in the months ahead.

What Did Bring on the 1957-58 Downturn?

(1) First and probably of major importance was the decline in plant and equipment spending. While surveys had indicated that a downturn in these outlays could be anticipated, few believed it would be so abrupt. Capital investments climbed at almost unbelievable rates during 1955 and 1956 and they had reached, by the third quarter of 1957, an annual rate of $37.75 billion, or 48% above the first quarter 1955 level. It was unreasonable to assume that business could or would continue indefinitely at such a rate of expansion.

From 1950 through the third quarter of last year, almost one-quarter of a trillion dollars had gone to increase the nation's productive capacity. We had enjoyed a long sustained period of high level expenditures for this purpose and it became more and more difficult for business to keep its total plant operating at anything close to what might be considered a preferred rate. Productive capacity simply outstripped demand. This is illustrated by the fact that, at the end of 1955, industry was operating at approximately 92% of capacity; by the end of 1956 this had dropped to 86% and by the third quarter of last year, it fell below 80%. As business watched a larger and larger share of its plant being placed in the "unused" category, it became apparent to many businesses that some of the plans for increasing capacity should be postponed.

(2) The rapid liquidation of inventories. Since the end of the 1953-54 recession, we had been producing more goods than we were consuming. Then in July, of last year, producers' sales turned sharply downward. This was soon followed by an even more drastic reduction in industrial production. As a consequence, by October we were consuming more than we were producing. Thus, in the last quarter of 1957, inventories declined at an annual rate of $3.1 billion and in the first quarter of 1958, this rate increased rapidly to $9.5 billion.

(3) The decrease in non-farm income that occurred in September of last year. While this decline in income was due to a decrease in employment, it weakened consumer markets. Purchases of consumer durables, such as appliances and automobiles, dropped more during the past year than in any other post-World War II period. While incomes picked up primarily because of unemployment payments, the consumer durable market remained soft.

(4) Last year national security expenditures reached their peak in the second quarter and then declined moderately through the first quarter of this year. Although the dollar decline in such expenditures was small, less than $2 billion, there was a great deal of talk about reducing government outlays and this, in turn, served as a psychological depressant on businesses planning for the future.

(5) The drop in our exports. The relatively large decline in exports to Europe and Japan placed a major burden on foodstuffs, cotton and metals and, as a consequence, receipts from abroad fell, which in turn had a sizable impact on total demand.

(6) If one accepts the theory that monetary policy influences turning points, then the Federal Reserve cannot be absolved of all blame. In August of last year, the discount rate was raised from 3% to 3½% just as many of the indicators were turning downward. This increase was strongly opposed by the Council of Economic Advisors, but it was reported that the President felt the time was not quite ripe to let up on the monetary controls. The discount rate was not lowered until November 15, after the recession was well on its way.

This review of the forces that brought on the decline in business of last year should make it clear that the recession had all the necessary ingredients to make it more than any "rolling readjustment" or an "inventory recession." Last fall, it looked as though the backlog of demand caused by the depression of the Thirties and World War II had been satisfied and we were now on the brink of a serious depression. At that time, the months that were ahead were to offer an excellent opportunity to test our ability to keep the contraction phase of the business cycle within bounds. Compensatory fiscal policy, monetary policy and the automatic functioning of the built-in stabilizers were all to take their place in our efforts to stem the downturn.

By May, or perhaps June of this year, the corner had been turned, ending one of the briefest downturns in our history. When the upturn began it was at the point where we had approximately 7% of our civilian labor force unemployed, the index of industrial production was down 17 points from its August peak, and corporate profits after taxes were down $7 billion on a seasonally adjusted annual basis from the preceding third quarter peak of $22.1 billion. With this situation in mind, we need to look at the forces that brought the contraction to a halt and are now working to bring us back to a position of full employment.

What Are the Forces Returning Us to a Position of Full Employment?

Foremost in this array of forces must be listed the activities of government. Since the Federal Government is required under the Employment Act of 1946 to do everything within its power to maximize production, income and employment, a variety of new programs was approved by Congress.

As a result of special acts passed by Congress, Federal Government purchases of goods and services have already turned upward and they are expected to rise from a total of about $51 billion in fiscal 1958 to approximately $55 billion in fiscal 1959. About $1½ billion of this increase will go for further atomic energy development, foreign military assistance, stockpiling of various commodities and the new space agency. It is planned that the remainder will go to increase employee compensation, to purchase non-defense equipment, and for purchases of supplies required for the current operations of the government.

In addition to the Federal Government's increase in outlays to purchase goods and services there will be a $3 billion to $4 billion increase in the funds transferred to individuals, business and state and local governments. These funds will be in the form of such items as interest payments on Government debt, subsidies, unemployment payments, and other grants-in-aid programs to state and local governments.

State-Local Expenditures Are Up

State and local government expenditures have consistently moved upward as our population has grown and our demands for better and more healthful communities have increased. Highway programs, hospital programs, public school programs, municipal building programs and public utility programs seem to assure us that there will be an increase of at least $2½ billion in such expenditures during the coming year. Add to this the expectation that grants-in-aid from the Federal Government will increase approximately $1½ billion, it is reasonable to expect that total outlays by the various local levels of government will be up around $3 billion on the average for 1959.

All of this adds up to the fact that the total impact of government upon business during the coming year will be bolstering. The United States Treasury Department has estimated that during fiscal '59 it will be necessary for the Federal Government to spend approximately $12 billion more than it will take away from the public in the form of taxes and miscellaneous levies. The Treasury will have to seek new funds to finance these outlays and since it is not planned to obtain them through increased taxes, it will be necessary to either create new money or to stimulate the private sectors' propensity to save.

Plant-Equipment Expenditures

The second force bringing us back to a position of full employment is the behavior of plant and equipment expenditures. The latest survey of business plans for plant and equipment spending conducted by the Department of Commerce and the Securities & Exchange Commission indicated that by the end of this year, these expenditures will be again moving upward. With business still operating well below the preferred capacity level, it is not likely that there will be a capital spending boom anything like the 1955-57 period. However, the improvement in sales which has occurred in many lines, the upturn in employment, the increase in industrial production, and the recent upturn in new orders in both the durable and non-durable goods industries, all are encouraging to those businesses anxious to modernize or to expand their capital plant. If plant and equipment expenditures increase only $1 to $2 billion during 1959, they will have quite a stimulating influence. Even this small increase is a good indication that the businessman has regained his confidence in the economy. Such confidence spreads to others and feeds the wave of optimism that seems to be spreading.

Inventory Liquidation

The third force bolstering the economy is the decrease in the rate of inventory liquidation. An economy cannot continue to consume more than it produces for long once total sales have turned up. Our rate of inventory liquidation has dropped during this year and it is likely that during the early part of 1959 the level of inventories will begin to rise. Although it can be expected that the build-up will be slow, the total impact will be considerable.

The continued rise in the level of personal income is the fourth factor pushing us back to a position of full employment. The behavior of personal income during the downturn was the chief reason why consumer spending held close to previous levels. During the downturn, rental income, farm income, business and professional income, dividends and personal interest income all held quite steady. Labor income did decline from a seasonally adjusted annual rate of $250 billion in August of 1957 to $241 billion by April, 1958. However, this $9 billion decline substantially was offset by a $5 billion rise in unemployment payments. From April through September of this year, labor income has advanced while unemployment payments have continued at about the same rate. As private employment expands and as wages increase, total labor income will also rise. As this happens more consumers goods will be bought and factory output will increase.

All levels of business should be encouraged by the expected rise in personal income. Non-durables and services are likely to continue their upward trend, but even of greater consequence, will be the rise in the spending for consumer durables. It is true that firms will have to produce products that will interest the consumer, but the situation is ripe for a big year in the sales of such products as cars and appliances.

The forces that I have mentioned are strong and when they are combined with the underlying long range expansionary forces, such as rising population and improved productivity, they add up to a 1959 Gross National Product in the neighborhood of $465 billion compared to a $440 billion in 1957 and an estimated $435 billion for this year. In other words, our economy has the potential of achieving full employment within the next 12 months. Our recovery will be complete when this position is reached.

More Inflation

The question remaining to be answered is whether we can experience an upturn of the magnitude suggested without inflation. The fear of inflation has already had an effect upon the stock market and unless it is overcome, labor, management and the consumer will become still more inflation-minded. Such a condition could lead us on a buying spree that would end in higher and higher prices and perhaps an eventual collapse of our entire productive processes.

Downward Price Pressures

There are several factors that should be considered before we jump to the conclusion that runaway inflation is inevitable. First of all, we are presently operating at a level well below full employment of all of the factors of production. While unemployment is on the decline, we still have approximately 7% of our civilian labor force out of work. We should find jobs for approximately 1½ to 2 million more people before a condition of full employment of the labor force will exist. Such a rise in employment would have quite a bolstering effect upon the supply of goods and services and, thus, it would have a tendency to hold down the demand for any immediate increase in prices.

Besides the current level of labor unemployment, a sizable amount of our productive capacity remains idle. We are operating at around 80% of capacity with 92% the desired rate. Until output increases to the point where it is necessary to increase capacity to satisfy the short-run demand, it is unlikely there will be any sudden upsurge in capital outlays. Without a marked increase in plant and equipment expenditures, businesses will not be bidding up the prices of the materials needed to increase plant capacity.

Increases in productivity are additional factors working against inflation. While it might be expected that labor will increase its income as productivity rises, the tendency for production to rise faster than employment means unit labor costs are on the decline. As long as this is occurring, and it usually does during the early stages of an upturn, the pressure to increase prices is reduced. In fact, unless labor costs absorb the amount saved by increases in productivity, it is possible to conceive of a situation where competition might even force a decrease in prices.

The present stock of goods held by Americans serves as another deterrent to inflation. The tremendous backlog of demand that was built up during the depression of the thirties and later in the war years has now been satisfied. On the whole, Americans are well housed, well fed, and well clothed and because of this, increases in prices are usually met with strong consumer opposition. Such opposition usually means fewer sales and, thus, lower profits. Businesses that believe sales will drop if they increase prices will be reluctant to yield to further inflationary pressures.

The relatively low level of general business activity in Europe and other foreign areas has resulted in a decline in our exports and until this demand picks up, there will be little pressure from this source to increase prices. Foreign dollar and gold reserves have risen and this seems to be an indication that local currencies are strengthening. If foreign countries are able to expand their output, sooner or later, purchases from the United States will rise and eventually more inflationary pressures from this source will result.

Growing Labor Force Size

One other factor should be considered when appraising the anti-inflationary powers of our economy. Each year brings us closer to the time when the baby crop of World War II will enter our labor force. The youngsters born in 1942 will be 17 years of age next year and it is likely that many of these will be seeking employment. As the labor force increases our ability to increase, output will also increase and, as this occurs, certain pressures for higher prices will be somewhat weakened.

The preceding factors cause me to conclude that we are unlikely to experience any great increase in prices over the next few months. Our expansionary abilities are tremendous and should not be overlooked by those examining the current situation.

Deficits Need Not Mean Inflation

The inflation-mindedness that is sweeping the country is due almost exclusively to the widespread publicity that has been given to the expected $12 billion deficit of the Federal Government. Many believe that a deficit of the government automatically spells inflation and, therefore, it is assumed that the only safe step for individuals or businesses is to purchase equities in order to hedge against further price increases. Such an assumption regarding deficit spending is incorrect, as is borne out by what happened between the middle of 1952 and the end of 1955. Over this period a sizable amount of deficit spending occurred and the public debt rose from $259.2 billion as of the end of June, 1952 to $280.8 billion as of the end of December, 1955. This $21.6 billion increase in the debt was accompanied by practically no change in the consumer price level. In July, 1952, the consumer price index stood at 114.1 and as of December, 1955, it was 114.7. The wholesale price index behaved in a similar manner, going from 111.8 to 111.3 over this 42-month period while Gross National Product rose from $350 billion to $400 billion. It seems to me that here is rather convincing proof that deficit spending does not automatically mean inflation.

What has been said should not be construed to mean that government spending is neutral and, therefore, does not feed the forces of inflation. Indeed, if the economy is already operating at full capacity, it is conceivable that even a balanced budget could lead to further price increases. The critical point is reached when all the resources of the economy are operating at capacity. It is at this level that inflation begins to undermine the vigorous strength of the entire business system.

While I have expressed the belief that substantial price increases are unlikely within the next few months, creeping inflation remains the most critical problem facing our economy. As soon as we return to the position of full employment, the present fear of inflation stands a very good chance of becoming a reality. The inflation potential is great and, therefore, it is now that we should develop ways and means of maintaining stability in the value of the dollar.

Proposes an Immediate Step

Probably the very first step that should be taken in the battle to stabilize prices is to recognize that this problem is every bit as great as the problem of depression. Perhaps the most effective way to give proper recognition to the danger is to state in the form of a Congressional Act that it is the continuing policy of the Federal Government to promote reasonable price stability as well as "maximum employment, production and purchasing power." Once this is accomplished, everyone, the consumer, labor and management will know that creeping inflation will be fought as courageously as is unemployment under present legislation.

Once we officially make the control of inflation a matter of national policy, I am convinced we can enjoy a reasonable degree of price stability, and at the same time, a reasonable amount of full employment. The long-term forces operating within our economy are strong and they point to a level of production twice our current output by 1975. Such a level of business activity can be achieved within the framework of a free enterprise society if we will intelligently apply both fiscal and monetary policies. We have seen how the 1957-58 recession was quickly reversed through the direct application of fiscal policy. The same tools can be effectively applied to fight inflation if we will but recognize that once we are enjoying full employment, our system will stand but a limited amount of additional spending.

Railroad Securities

Southern Pacific

Earnings of Southern Pacific have held up exceptionally well this year. The road is one of the few which probably will report a higher net income this year than in 1957. Current indications are that net this year will be well above the $6.02 a share reported last year and may approach as much as $6.35 to $6.50 a share. Moreover, the annual $3 dividend rate has been maintained throughout the recession.

For the first nine months of this year, the road reported a drop of 3.6% in gross revenues. However, despite higher wage rates, expenses were cut $18,322,000, or 4.6% under the like 1957 months. A cut in the number of employees and improvement in transportation efficiency were the chief factors.

Non-rail income has helped Southern Pacific over the past few years. For this year non-rail income is estimated at $24,000,000 as compared with $22,400,000 in 1957 and better than twice the $10,000,000 of 1948. Included in this expanded total are larger dividends from Pacific Fruit Express Co. (50% owned by Southern Pacific and 50% by Union Pacific System). Other items include rental income from commercial properties, oil royalties, interest on bonds and dividends from the controlled St. Louis Southwestern (Cotton Belt) Railroad. Southern Pacific's equity in the undistributed net income of this road in 1957 amounted to more than $6,000,000.

There are possibilities of further growth in other income over the years. The railroad owns 3,947,000 acres of land and oil, gas, mineral rights or royalty interests in an additional 1,309,000 acres, principally in Nevada, Texas, Utah and California. The company has engaged an outstanding engineering firm to study its entire land holdings and a full report should be made available with the next two years.

Southern Pacific's separately operated subsidiaries also have contributed to the system's earnings. Net income in 1951 from this source amounted to $4,172,000 and in 1957 was almost twice as large at $8,245,000. These subsidiaries include trucking companies which operate over 20,000 miles of highway truck routes in the rail's territory. Other affiliates are land companies and pipelines. Last year the pipelines contributed $4,021,000 to profits, $2,558,000 by rail affiliates, $1,310,000 by the land companies and $160,000 by the trucking companies.

Southern Pacific has spent large sums on rehabilitation of its roadway and equipment. Of major importance has been the increased use of diesel power. The road has been slow in dieselizing but gradually has been replacing old steam locomotives, particularly for helper and switching work. This has done much to cut the transportation ratio. Despite large expenditures, the carrier has been able to maintain a strong financial position. On Aug. 31, 1958, cash and its equivalent amounted to $99,957,000, which does not include $50,000,000 Government obligations held in investment accounts. Current liabilities on the same date totaled $115,174,000. Net working capital was $76,654,000 as compared with $81,072,000 on Aug. 31, 1957. The annual cash flow from depreciation is around $39,000,000, or well above the $25,133,000 equipment and other debt maturing over the next 12 months.

The road has aggressively sought to bring new industries and plants to its territory. Manufactured items and miscellaneous freight which now accounts for more than 50% of total freight revenues, has already surpassed the 1952 peak in both tonnage and gross. Growth in manufactures has enabled the road to lift the volume above the Korean War high. The system set a high mark of 42.9 billion in 1956 compared with the former top of 41.4 billion ton-miles in 1952.

Recovery in business activity, along with good crops, are expected to expand earnings of the Southern Pacific considerably over the coming months. While the road will seek further to conserve cash for capital improvements as traffic increases, it is believed some thought might be given to increasing the dividend some time during 1959. Over the longer term, it also is expected that a merger with the controlled Cotton Belt might be undertaken.

Public Service El. & Gas at $37.75 a Share

Merrill Lynch, Pierce, Fenner & Smith and associates yesterday (Dec. 3) offered 700,000 shares of no par value common stock of Public Service Electric & Gas Co. at $37.75 per share.

Net proceeds from the sale of the additional common stock will be added to the general funds of the company and will be used for general corporate purposes, including payment of a portion of the cost of the company's current construction program. As of June 30, 1958, the current construction program of the company, based upon recent prices, amounted to approximately $279,000,000, of which $261,000,000 was for electric facilities and $18,000,000 for gas facilities. The company estimates that of the $279,000,000 construction program, approximately $64,000,000 has been or will be expended in the last six months of 1958 and the remainder in subsequent years.

The company supplies electricity and gas to about two-thirds of the population of the State of New Jersey (1950 census—4,835,329). The company's electric and gas service area, located principally between New York City and Philadelphia, along the main line of the Pennsylvania Railroad, extends generally from the New York border in the northeastern part of the state to Camden and vicinity in southwestern New Jersey. The territory has a highly diversified industrial development, which includes major plants of many companies of national prominence. Principal industries include chemicals, iron and steel, electrical machinery, electronic equipment, food processing, textiles, nonferrous metals, pharmaceuticals, and a variety of assembly plants.

G. A. Preston Joins Albert Frank Agency

George A. Preston has joined Albert Frank-Guenther Law, Inc. as an account executive, it has been announced by Howard W. Calkins, chairman and President of the agency. Mr. Preston was formerly with Riedl and Freede, Inc., Clifton, N. J.

With Irving Lundborg Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Rawson E. Knight is now with Irving Lundborg & Co., 310 Sansome Street, members of the New York and Pacific Coast Stock Exchanges.

Continued from page 3

Security or Illusion

ing which many can secure gains, savings and thus apparent security. During good times, land, goods, services and securities may change hands several times, with each buyer making a profit and nobody a loser until bad times, the recession period, comes, when many will be the losers, when land, goods, services or securities continue to be offered at a discount with each sale, and with very few escaping with their savings or security.

One is reminded of that oriental story of the two pushcart peddlers, each one having a supply of raisins with no buyers. One tells the other, "I'll sell you half of may raisins at a small profit and I'll make money; then you can sell it back to me at a profit and thus we each will make a profit." At the end of the day, each had the same load of raisins, huge paper profits, but not enough money to buy the evening meal. So securities and profits one has must be analyzed very carefully; otherwise the story of the two peddlers repeats itself.

The purpose of saving, of acquiring securities, is twofold: First, the preservation of the original investment of capital; and secondly, the securing of an income which would grow until the income reaches the end goal—to provide security to the saver, investor or speculator via his income. In the light of the aforementioned virtues or qualities looked for in securities, we shall examine the various types of securities.

As all securities are evaluated in terms of the dollar, the unit of exchange, we shall first analyze the dollar as it exists today.

Gyrations of the Dollar

There was a time not so long ago, but that many of us can still remember, when one could go to the bank with a $20 bill and cash it for $20 in gold. Gold was then the real medium of exchange, principally in the form of gold coins (for a small fee the government would give you gold coins weight for weight in exchange for gold). It had the same value in New York, in Amsterdam and in Bombay, except for the small cost of transportation and insurance. Today's Gresham's Law, "Bad money chases out good money," does not hold true because all of our money is in the same category —bad. It is basically fiat money, in spite of the gold that is buried in Fort Knox. Theoretically it could go up or down, depending upon the confidence of the people in the paper money, but in practice it has been going down steadily and lately rather viciously.

There was a devaluation of the dollar on April 5, 1933, when President Roosevelt issued his Executive Order requiring that all gold coins, gold bullion and gold certificates be turned in to the Federal Reserve Banks through the banks all over the country. Furthermore, on Jan. 31, 1934, the price of one ounce of gold was raised to $35 from the price of $20.67, which was in effect since 1837. The probabilities are that there will be some form of devaluation of the dollar within three years in order to stabilize the purchasing value of the dollar. When, where and how is anybody's guess.

We shall examine the gyrations of the dollar during a comparatively short period, a recent period, from 1938 to 1958, just 20 years. The purchasing value of the dollar, its power to buy, was $1 in 1938, while today it is just a trifle above 47 cents—or a loss of 53 cents in the short period of 20 years. One is really frighened if one tries to compare the purchasing power of the dollar today with that of a dollar of say 1840, when it had a purchasing power of almost six times as much. In other words, in 1840, a dollar bought six times as much as it does today. Fantastic, isn't it?

Why the Dollar Is Shrinking

(A) **Seigniorage and Brassage:** The ruling authorities when issuing coins charged a fee, supposedly at cost, known as seigniorage. Sometimes the profit for the ruler was rather substantial, but in general the rulers protected the gold or silver contents of the coins. Brassage was a later development. It was substituting of a baser metal for the more expensive metal, less gold and a little more copper, less silver and a little more brass or lead, depending upon the extent of the greed or need of the ruler. On gold coins we in the United States had practically no seigniorage. On silver there was seigniorage but the purity and weight were maintained. However, all this changed in 1933. Gold could not be demanded in exchange for paper currency and gold certificates were called in. Then a brassage of a different form began very actively and perhaps not intentionally. Paper money, notes and treasury bills were issued without corresponding backing of gold. Much of the money collected for social security is being "borrowed" by the Treasury on IOU's. All this naturally tends to decrease the purchasing power of the dollar. Furthermore, as the dollar buys less and less, people want to exchange their dollars for real values — properties, jewelry and securities. This is a vicious circle. The dollar has less value today than it had a year ago, and considerably less than 10 years ago. The question is what will it be worth next year and five years from today.

(B) **Taxes:** Taxes are one of the prime factors in corroding the value of the purchasing power of the dollar. Taxes have been going up steadily ever since the First World War, and very rambunctiously since the Second World War. In spite of vague promises made by some public officials who ought to know better, there is hardly a likelihood that taxes will be reduced materially in the foreseeable future; everything points to the contrary: they will be; increased. Just to mention a few factors, the cold war, the near hot war, and the small wars, the ever expanding foreign help and increasing social security benefits and the general tendency to increase the welfare projects by the Federal Government, by the states and by cities, and the ease with which such vote getting largesses can be secured, definitely militate against any reduction of taxes on those who have investments and savings. "Soak the rich" may not as yet be the general battle cry on street corners, but it is the basic policy that permeates the general philosophy of the so-called common man — the wage earner and the salaried—forgetting that by bearing down further and further on investors they are ultimately killing the goose that lays the golden eggs and our dollar is therefore constantly decreasing in purchasing power.

Taxes are comparatively easy to trace. There are direct taxes of the Federal Government, state, county and city, as well as indirect taxes, such as sales tax, amusement tax, etc. etc.

For the fiscal year just ended, June 30, 1958, the taxes collected by the Federal Government, the state governments and the local governments, as reported by the Commerce Department, totalled $98.9 billion! The Federal taxes made up 70% of the total, state taxes 15% and local taxes 15%.

Figuring on a population of 175 million, this amounts to about $530. per capita; it includes men, women and children, and of course a goodly percentage do not pay any tax.

(C) **Cost of Living:** We are indebted to Delmonico's a leading restaurant then and today, for their menu of 1834. In this plush restaurant, you could then have a beefsteak for 4¢, a whole roast chicken for 10¢, and in proportion the cup of coffee was expensive—1¢. If you wanted a complete regular dinner, you could have it for 12¢ from soup to nuts. Delmonico's has preserved its quality of food and service, but unfortunately at a much higher price; not their fault but due to the vanishing purchasing power of the dollar.

The United States Department of Labor statistics show us that the cost of living, as it is labeled "Consumer Price Index," taking 1947-1949 as 100, in 1938 averaged 60 and as of June 19, 1958 averaged almost 124 — which means that the cost of living is twice as much.

(D) **Salaries and Wages:** When workingmen and employees get increased wages and salaries without a corresponding increase in production, the result is inflation. Building craftsmen can make between $80 and $150, if not more, a week against $20 some 30 years ago, though they are not producing four to eight times as much as they did then.

Some 20 odd years ago, certain chain stores were paying their sales girls $10 a week and today there is the dollar per hour minimum wage, salaries being four to five times as much for the same work, or even less as the working hours per week have been decreased.

Stenographers, who some 20 years ago received salaries from $10 to $25, depending upon their experience and ability, are paid today $50 to $86 and some as high as $125—this being five times the salaries earned some 20 years ago.

Salaries of workers in manufacturing plants saw a rise from $23 per week in 1938 to $83.10 per week in 1958—3.6 times as much in 20 years.

There are very few categories of wage earners and salaried people whose increase in earnings has not kept pace with the decrease of the purchasing value of the dollar. There comes to mind only some of the lower echelon government employees, who probably feel compensated by assurance of lifelong jobs and ultimate pensions.

(E) **Wasted Production:** When $40 to $60 billion are to be spent for the armed services, admittedly a very necessary precaution to protect us from invasion by the Communists, we are nevertheless spending dollars for non-producing assets, for something that will not create additional wealth, such as would be the case if building a factory or buying machinery and equipment, or even manufacturing chairs. These weapons of war, even if no war occurs, become obsolete and useless and therefore wasted. This is wastage of our wealth and therefore decreases the value of the dollar.

In 1938 our national debt was under $40 billion, and this year it will be $288 billion and perhaps more—seven times as much in 20 years. What does that portend?—a continued decrease in the value of the dollar.

(F) **Help to Other Nations:** Foreign help in whatever form it may be, whether the supplying of arms, ammunition, etc., or financial straight gifts or supposed loans which undoubtedly will never be repaid, or the gift of agricultural products, etc., is definitely a wastage of our wealth, considered strictly from an economic point of view, though it may have a humane value and possibly farfetched political and economic value. Whatever goes out of our wealth, which the dollars help produce, decreases the value of the dollar.

(G) **Welfare and New Deal Largesses:** If the Democratic Party started the New Deal handouts, the welfare state attitude is continuing with the Republican Party. The "handouts," whether to help those in want or to start building and reconstruction projects for which there is no real economic necessity, again may be a definite contribution to the cause of humanity but from the point of view of economics it is a wastage of dollars, of necessities and nonwealth producing objectives and therefore depreciates the dollar.

(H) **Deficits and the National Debt:** Taxes, in spite of their being so high, are not sufficient to pay the costs of Government. The New Deal, started by Roosevelt, cost us almost $4½ billion, the Korean War almost $21 billion and so on and on. For this fiscal year, beginning July 1, 1958—**one year**—our deficit will be between $12 and $14 billion dollars. The Congress had to vote an increase in the legal debt limit of the United States, raising it to the formidable figure of $288 billion.

Inflation

Perhaps it is oversimplification to interpret inflation as a condition in which it takes more dollars of buy today the article that you could have bought a month ago, a year ago or ten years ago for less. To be in the same position and to equal the purchasing power of the comparable period in the past, a person must earn in wages, salary or income at least the same percentage of increase as is the decrease in the value of the dollar.

We can understand ex-President Hoover's comment, on hearing that the Congress voted $25,000 to ex-presidents. He said that he did not need the money and would give it away to charity, as he had made his money when taxes were 1%. He forgot to add the fact that his investments were of the type that had advanced faster than the inroads made by inflation. More power to him! Unfortunately today our taxes, Federal, social security, county and city taxes, etc., direct and indirect, take away over half of the profits.

If one earned $10,000 in 1938, one would have to earn almost $24,000 today to have the same purchasing power. It is due to the jump in taxes and doubly so, to inflation. The two make a fiendish combination.

The reverse side of the coin that reads "The Vanishing Dollar" has the one word, "Inflation." We have been in a dollar bear market for quite a while, but the decline is getting more precipitous, and one shudders with fear of what may happen.

One need not dig deep into the economic history of France and Germany to find out what happened to their francs and marks. The French people, who had a traditional reputation of being a very saving people, are today great spendthrifts. "Rentes," which literally translated means rents or incomes, was synonymous with French Government notes and bonds, that sold for centuries at returns of as low as 1½%. Today the French Government, when it puts out bonds, has an escalator clause, guaranteeing the income as well as the return of capital based on the cost of living.

Our Treasury will have to put out a large issue of bonds in the very near future. One wonders at what rate and with what conditions such an issue would be attractive. For years the dividends on stocks were about twice as much as the interest on bonds, and averaged about 5%. Today's dividends return about 3.77 and Government bonds between 3.50 and 3.80, while tax free bonds return 4 to 5%. United States savings bonds yield 3.25 if held until maturity — eight years and 11 months—and recent issues of corporate bonds will give a return of over 5%.

The reason is very simple. It is a precipitous flight from the dollar. People do not care what the return is, as long as they have the expectation that their investment will rise in proportion to the decrease in the value of the dollar. Safety of principal is the major consideration.

To formulate the **Law of Inflation:** Inflation arises when many people would rather have durable and even consumer goods than money.

A Comparison of Security Values

(1) **Cash:** Naturally this would be in the form of bills. In the old days, very rich people often put away some of their savings in the for of bills in safe deposit boxes. Though they knew they would have no income thereafter, they were sure of their capital to be used when needed. Money is the subject matter of this study, and it means dollars as we know them, and therefore if held since 1938, a $10,000 cache would have a purchasing power today of a little over $4,700.

(2) **Salaries and Wages:** At first blush, it may seem that salaried people and wage earners have no place under this heading. Yet from the point of view of economics, the salaried man and the wage earner have future savings which means future securities in their own continued positions. We have seen that wages and salaries have outdistanced the rise of living costs. Theoretically, if a salaried man and working man could be sure of their jobs, their good health and ability to work to their last days, then such persons have security within themselves. However, there are certain flaws already suggested: sickness, disability, old age and the possible loss of the job, temporarily or permanently, during bad times.

(3) **Pensions and Annuities:** Those who have worked and saved for annuities, pensions and social security have been hard hit. They lost since 1938 almost 53% of the dollar purchasing value—exactly the depreciation of the dollar.

(4) **Savings Accounts and Mortgages:** What was said about those living on pensions and annuities can also be said about those income derives from interest on bank savings and interest from mortgages. The returns from their savings or securities are fixed and therefore depreciate both in principal and in income, to the same extent that the dollar depreciates. In other words, their income is of a fixed nature, is a constant meeting a dollar depreciation, which is a variable, and which has come down to the purchasing value of slightly over 47¢, as compared with the 1938 dollar.

(5) **Bonds:** We have already given above the interest rate on the various types of bonds, Government, tax free and corporate. The principal, the original investment, has depreciated, being a constant meeting the variable, the declining dollar. The depreciation of bonds (the principal—the investment) is about 53%, the same as all the previously mentioned constants. As to the income or the interest, it has gone up, at the expense of the principal, and yet the differential does not meet the depreciation of the dollar.

(6) **Jewelry, Precious Stones, Rare Books, Stamp Collections, Works of Art and similar "rarities":** These advance in price as the dollar depreciates, but they

do not have a standard market price like stocks or bonds. It is a matter of trading and finding the buyer. When they are offered for sale, they will fetch a lesser price than if one wants to buy, and the discount may be considerable.

(7) **Real Estate:** (a) Farmland has increased in value over 53% on the average, and some land has doubled and tripled in value; (b) Investments in land must be divided into two general divisions, undeveloped and developed.

Undeveloped land is a sheer speculation, which may or may not prove a paying proposition. Meanwhile there are taxes to be considered, which the owner must pay or lose the land. If one happens to buy a piece of land which in a comparatively short time becomes a development or a site for new industries, then of course one has hit the jackpot.

Developed land can also have a growth value like a growth stock, but on the other hand it may be a has-been, which slowly depreciates in value and returns. There are no Dow-Jones studies or charts for land. Each piece of land must be judged on its merits in relation to the neighborhood and to its possibilities.

(8) **Banks and Creditors:** Since the investment is money given by the lender who is to be repaid at some future date, these securities are depreciated in the same ratio as the dollar. The longer the repayment, the lesser the value of these securities.

(9) **Ninety-Day Treasury Bills and Tax Notes:** Deviation is rather small, as they are of short-term and/or intended for specific purposes. If one keeps on reinvesting in similar offers as the old ones mature, in the long run these investments are subject to the depreciation of the dollar.

(10) **Businesses — Manufacturing, Wholesale, Retail:** Provided they are established concerns and the owners are aggressive and know their business, they are good securities, depending on the continued rapid turnover of inventories, which should not be held for long. Inventories may be replaced at higher prices but the selling prices are also higher. The more often the inventories are turned over, the better the security.

Stocks

These are on the average the type of savings or securities that have advanced even more percentagewise than has been the decrease in purchasing power of the dollar.

Looking at the Dow-Jones Industrial Stock Averages, we find that in 1938 it was in the 140s. There have been in between recessions and booms, but it is interesting to note that each recession was higher than the previous one, and each rise was higher than the previous one. From 140 to over 520 is a jump of 380 points. Taking a more conservative figure of 500, the increase from 140 to 500 is 3½ times. In other words, taking the figure of 500 for 1958 and 140 for 1938, the former is 3½ times the latter. All this in 20 years, with all other types of savings except those of wage earners and salaried people receding by almost 53%, or more than half.

Let us do some arithmetic and compare how an investment of $100,000 in industrial stocks of the Dow-Jones Averages fared relative to an investment in bonds, both made in 1938; $100,000 in stocks in 1938 would be worth today over $350,000. Bonds still remain at their redemption value of $100,000, though they are much lower in the market today. The difference is a gain of $250,000 in favor of stocks over bonds, if sold today. Parenthetically may I state that one would be foolish in selling the stock today, as the question arises — in what should the proceeds be invested.

Now we shall examine the income from the stocks and bonds held. The bonds return an average of 2½% for 20 years, which is 50% or $50,000. Stocks on the other hand paid an average of 5% for 20 years, which is 100%. This has to be figured on the mean investment starting with $100,000 and ending with $350,000 or $450,000. The mean therefore is $225,000. The dividends of 100% on $225,000 equals $225,000. This makes a difference in income between dividends on stocks and interest on bonds of $175,000. Adding the $175,000 to the $250,000 makes $425,000 net gain! And in our calculations we have not figured the possible gains by pyramiding, which might double such a return. Is it any wonder that there is a continued flight from the dollar to stocks, in order to survive financially?

One should not get the impression that the 20 year period from 1938 to 1958 was particularly favorable to stocks. I am indebted to the study made by Edward E. Hale, Editor of "Brevits" published by Vance, Sanders & Company, which proves that "the mechanical odds have been over a long period of years for increases in the value of common stocks to offset the decline in the purchasing power of the dollar."

The study gives the following "Change in Value of Stock Prices 1871-1957 Inclusive": (used by permission).

Change in Value of Stock Prices 1871-1957 Inclusive

Length of Period	No. of Periods	Periods of Gain in Value	Periods of Loss in Value	Same	% Chance of Gain in Value
1 year______	87	50	36	1	57%
5 year______	83	56	27	0	67
10 year______	78	65	13	0	83
15 year______	73	64	9	0	88
20 year______	68	64	4	0	94
25 year______	63	62	1	0	98
30 year______	58	58	0	0	100

"Chance" denotes the number of times that stock prices advanced (or the value of the dollar declined) in relation to the total number of periods involved.

As you will notice, the longer the length of the period, the percentage chances of gains and values are higher. In the tabulation of 30 years (starting from 1871 to 1957 inclusive) there are 58 periods with no periods of loss, all periods showing gains. The shorter the periods, there is always a gain but the percentage is less.

Which Securities to Buy

Remember we used the Dow-Jones Industrial Averages, which means the 30 securities. Some went up more than others in the same listing, and one could have done even better with stocks not included in the Dow-Jones list. However, precluding the matter of personal selection, the list of stocks included in the Dow-Jones averages is good enough.

We have not mentioned the railroads and the utilities; though they did not perform just as well as the industrial averages, their performance outdistanced the decrease in the purchasing value of the dollar.

When one faces a variable that has practically no limits until the complete deflation of the dollar is theoretically reached, the better play is industrial stocks that can grow rather than railroads and utilities that have fixed rates, which they must submit to authorities before they can make any changes.

Mutual Funds: For the uninitiated and for those who do not want to watch their securities, mutual funds are fairly good securities. However, it must be remembered that the premium one pays for the usual mutual fund on acquisition, which runs as high as 9%, may take some time to be covered by the rise in the resale value and the income they produce.

Debts: It may sound paradoxical to classify debts as a "security," not only protecting the borrower against the dollar decline but actually making him a gainer. An intelligent and knowing student of economics, who could forsee the continued deterioration of the dollar, had a hidden saving or security in borrowing.

Let's assume that one borrowed $100,000 from his bank in 1938, putting up as security real estate, insurance policies, and, if his credit is good enough, his own note without collateral. This amount he put up with the broker to purchase industrial securities in the Dow-Jones Averages on an equity of ½ or $200,000 worth of securities. It is now 1958. Let us see how well he fared.

There are two factors to consider:

First, the ultimate worth of his securities compared with his debt, and secondly his income from dividends vs. interest paid on the loans.

With the rise of industrial averages from 140 in 1938 to 500 in 1958, his $200,000 worth of stocks would be worth $700,000 today. Owing a total of $200,000 he can pay this off from his $700,000 leaving himself with $500,000, a clear long-term profit.

It is difficult to decide exactly what would be the average rate of tax. Now it is 25% on long-term gains. It was for a short period 26%, but mostly less than that. Taking an arbitrary 20% (it was probably less), which is equal to $100,000, this would leave $400,000 gain.

There is an additional gain, namely, the differential between the dividends received and the interest paid. The average interest was certainly not more than 4% and for 20 years that is equal to 80%. 80% of $200,000 is $160,000. The average dividend rate was 5%. For 20 years, that is equal to exactly 100%. If we take the average between the original investment of $200,000 and the final investment amounting to $700,000, this gives us a figure of $450,000 as the average capital. 100% of $450,000 is $450,000 received in dividends. Subtracting the $160,000 paid out in interest, that leaves a net difference of $290,000 earned. The $290,000 has naturally been reduced by taxes paid on the short-term gain. Taking an arbitrary figure of 20% for the average, this reduces the $290,000 to $232,000 clear gain after taxes. Adding the $232,000 to the $400,000 gain in capital, that makes a total gain of $632,000 made on money borrowed and repaid after all taxes. In our calculations we have not figured the possible gains by pyramiding, which might double such a return.

This is not for the uninitiated or those without the know-how. It is, however, a definite demonstration that during inflation the borrower reaps handsome profits, while the lender is definitely a loser.

Conclusion

The quest for security is for most of us as illusory as was the quest for the Golden Fleece, and yet it has to be found for us to survive. There must be a revaluation of values on the part of our Government, Capital and Labor. They have all sinned, and some are still sinning very heavily.

At the turn of the century, capital was in the ascendency and labor had many justifications for corrections. There was the sweat shop, low wages and salaries, and long hours; but it was the individual employer, not a united front, that had the whiphand over his employees. This has been more remedied. Laws are on the books regulating employment, as well as business behavior in general. Labor has slowly grown into a monolithic monopoly. It is no more the case of laboring men in one shop or factory, but the pressure is exerted by a few unions that control the majority of labor; the Teamsters Union, the Railroad unions and the Automobile Workers Union can each strangle the economy of the country in one hour.

Labor has secured a strong hand in the control of some of our members of Congress, and their leaders have their eye on the full control of the Government. There may soon be a new political party, the Labor Party. It is time that decide where we are going and where we want to go. Much, or shall we say most, is rotton in our Denmark—the United States.

It is time that the Congress be representative of the best interests of the nation— statesmen and not politicians — and not catering to special interests whether labor or capital. Legislation must be passed to control labor and its funds, to detach the fingers that slowly strangle the economic body and therefore the life of the whole nation. Furthermore, Congress should pass laws to have the Treasury of the United States and the Federal Reserve Board stabilize the dollar and thus stop the further increases in the cost of living—price of merchandise and price of labor. Perhaps a return to a gold standard.

This must be done in a hurry. Otherwise we shall see all of our basic values disappear, such as culture, morality, respect and admiration for brains—at least to be equal to brawn, justice and not brute force, together with the disappearance of the dollar. Let us not feel that this is our last gasp, and together with the gladiator in the arena, turn around to our glorious past and cry out, "Ave, Caesar, morituri te salutant."

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The Dynamic World Growth of Plastics

logical answer to the challenge. Incidentally, I see great opportunities for large scale production to serve a new mass market as the European Common Market develops its strength in an area equal in population to that of the U.S.A. On the other hand, for the multitude of items of lesser volume, which are not so adaptable to automatic processing, there will still be attractive opportunities for fabricators with lower wage costs.

Tariffs and Duties

Probably the most controversial subject in a group of international businessmen, is the one of tariffs and duties. I admit it is a touchy one. But I am one of those who believes strongly that problems and controversies are never resolved by ignoring them.

I do not pretend to have an answer to the tariff problem. We cannot help but recognize the philosophical virtues of free international trade, at least in the abstract.

When we take a current and practical point of view, we may, in good conscience, feel differently. As managers of business, some of us have employees' and stockholders' interest to protect. However, when we plan for the future, we cannot help but take into account the fact that the exchange of patents and techniques will inevitably lead to freer trade among nations, provided, of course, some of the other obstacles, such as inconvertible currency, have first been removed.

I am a believer in allowing competition to regulate markets, and we can make progress in this direction internationally, except where there are such obstacles as government subsidies or an inordinately low standard of living.

At the same time we must recognize that there are conditions under which short-term tariff protection is necessary to prevent a sudden wiping out of investment and employment. Under such conditions it is difficult for any businessman to be a statesman. I doubt that any of us would like to take a knife and cut his own throat.

But over the long run, if we want this plastics industry to rise to the great potential that exists for it, we must work always to turn short-term problems into long-term solutions. We certainly do not want to allow unnecessarily high tariff walls to hobble this most promising new industry, which bids fair to revolutionize business and industry and along with it everyday living for all people.

There is room for all of us in this wondrous plastics industry. We shall need to visit each other, exchange information, make mutually profitable business agreements. Furthermore, we must continue our efforts to work out world standards for plastics. I know that the Society of the Plastics Industry is already engaged in this matter of standards. Much remains to be done, however, so that our customers everywhere will have a clear understanding of what each type of plastic can be expected to do, as well as what it cannot do, and thus come to rely on each company and its products.

Sees Tripling of Production By 1968

With these goals before us, I see ahead a future so promising for the plastics industry that I dare say none of us here tonight fully comprehends it. I mentioned earlier that world plastic production more than tripled in the 10 years just passed and that there is good reason to expect it to triple again in the next 10.

I may be conservative. Just consider for a moment where our industry would be if per capita consumption just in Europe (including the U.S.S.R.) were advanced to the same 24-pound level already reached in the U.S.A. That alone would add at least 11 billion pounds to world consumption. That alone would increase the size of the international plastics industry by 120%.

As we pursue our goals for the future with earnestness, we shall find that we are promoting world trade and international cooperation. Thus we can do our part to build human understanding, better living and world peace. Any industry which works toward such goals as these will deserve—and will receive—the richest rewards.

Leo Kaufmann

Leo Kaufmann, New York City, member of the New York Stock Exchange, passed away Nov. 26.

Julius Klorfein

Julius Klorfein, New York City, member of the New York Stock Exchange, passed away Nov. 27.

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The Danger of Inflation And a Program to Combat It

cussions, correspondence with public officials, elected and appointed, I would like to offer the following as the basis for a program which I believe can be achieved, providing we can fire the imagination and energy of those who understand and are concerned:

Offers Anti-Inflation Program

First and foremost, and perhaps one of the most difficult steps, but not an impossible one,—**the economy and fiscal policy of the country must be put on a nonpartisan business basis.** Our foreign policy has operated in that manner on many occasions in recent years. Surely the inflation danger we are confronted with is equally deserving of such consideration.

We must have a solemn pledge from the leadership of both political parties that the economy of the country will be put on a business-basis and operated as such hereafter.

A second step, closely tied to the first,—would be for the leadership of each political party in Congress to select two **qualified** representatives each from the Senate and House, making a total of eight members. These men, together with the Secretary of the Treasury or Director of the Budget, as the President directs, can be regarded as the Watchdog Committee for Expenditures. This Committee would carefully review all expenditures and appropriations and give its recommendations to the President after careful screening. The purpose of the Committee would be to eliminate wasteful and extravagant appropriations so that the budget could be balanced in average years and some definite portion of our taxes could be used to begin reducing the government debt. If we cannot operate on this kind of fiscal policy during times of prosperity, not much imagination is necessary to visualize the results under adverse conditions. It is to be understood that the President will veto any expenditure not approved by the Committee in addition to his normal veto powers.

This may affect our economy **slightly for a short time,** but as the American people, as well as the rest of the world, see that we are achieving not only a balanced budget, but a permanent fiscal stability, our prestige will rise and our currency will be sought after throughout the world as it has been in the past.

Any temporary adverse effect will be the price we pay for a more permanent stability in the future.

This must be done in a sound and realistic manner that will impress the American people—and the world generally — that we mean what we say and that this policy will continue in future administrations as well as this one. This step will develop a desirable climate for the other necessary steps and give people a greater sense of security in their savings banks, government bonds, insurance policies and investments generally, as well as a feeling of confidence in our future economy.

Favors Saltonstall Resolution

The third necessary step would be the adoption of the Saltonstall Resolution S1738, introduced by Senator Leverett Saltonstall in April of 1957, which requires (among other things) that a minimum of 1% of the income received from Federal taxes each year be applied to the payment of the national debt each year, with reasonable provision for graduated increase in reduction of the debt in future years. This Resolution did not receive sufficient consideration when it was introduceod. However, the public is becoming more aware of the problem of inflation and the sentiment is changing rapidly. The thinking in this Resolution is sound, even though some aspects of it may have to be modified.

This would help establish confidence in our fiscal policy and give concrete evidence of at least a minimum of national debt reduction each year. I recognize that this cannot be done for this coming fiscal year and there will obviously be necessary provisions to alter the case in times of extreme emergency. There have been times, because of large military expenditures, when deficits have been a real necessity, but unfortunately we have permitted deficits to become almost an American way of life.

This can and will be our ruination unless it is stopped.

Daily the press warns of the danger of inflation, while business analysts tell us that business is on the upswing and many people are under the delusion that all is well; whereas our anticipated prosperity is due to enlarged government spending programs and the deficit that will have to be financed in the near future, all of which means more inflation.

Emergencies usually rise suddenly — but ours is a creeping emergency that is approaching—and we must make certain that it does not get any nearer.

Now for our goals to be accomplished after these steps have been taken.

The positive values and resources of our great country are all too often taken for granted and must be put into proper focus and dramatized to a much greater degree.

We have enough food, great mineral resources and the greatest productive capacity in the world—a know-how envied by the entire world and a military organization second to none. Our capacities have been developed in a relatively short period of years by a well-organized economic system (thanks to the Federal Reserve Bank) that has grown with great rapidity in the last 40 years. Perhaps the very rapid growth of our country and its rapidly expanding economy has given us a false sense of security.

Answer Is Sound Management

All we need is sound management of this economic system without further inflation so that our country will continue to prosper permanently on a sound basis, so that our people will be employed and that our Government Bonds will retain their place as the foremost security anywhere in the world. In short, it would be the new Economic Era many have been hoping for.

We will require a vast educational program led by the government and in which all financial and commercial institutions should participate and which will be spelled out in simple language so that people in all walks of life will have a complete understanding of the purpose and goals of the program. Labor leaders recognizing the value of this program for their people will certainly want to share in these activities so as to protect the savings of the working people in whatever form they may be. We must develop a feeling of confidence in the future. The constant detrimental publicity that so many of our publications have been spreading tends to undermine the confidence of people in our American system.

Vast Public Education Campaign

We need a public relations campaign to awaken the American people to a recognition that our vast resources, our high standard of living, our great opportunities for the average man are all being jeopardized by inflation.

Government leadership can and should inspire the cooperation of financial institutions such as banks, insurance companies, the mortgage banking industry and many other fields of business and industry, together with labor, in combatting the dangers of inflation.

The implementation of this program will require a considerable amount of planning by competent government people, supplemented by finance, industry and labor.

The program outlined here is neither radical nor extreme. Its purpose is for a moderate but consistent reduction of expenditures and a method of fiscal operation that should establish confidence for a long-range program that will give us stability of currency and the high regard for government securities they formerly enjoyed, with particular emphasis on the savings bond program.

Our alternative is more inflation with continued weakening of our currency and later, measures so drastic that our very form of government might be threatened.

We must keep uppermost in our minds the simple fact that without a permanent sound economy we cannot have strong military defense.

Certainly the leadership of the American people has sufficient vision, courage and patriotism to take positive steps to prevent today's creeping emergency from becoming tomorrow's reality.

John Nuveen & Co. CARE Contribution

CHICAGO, Ill. — CARE announces that John Nuveen & Co., investment banking firm with headquarters in Chicago and New York, this year will make a contribution for CARE food packages in an amount equal to the expense incurred last year by the company in the production, addressing and mailing of thousands of corporate holiday greeting cards always before distributed on a nationwide basis.

Chester W. Laing, President of John Nuveen & Co., said that this break from industry tradition resulted from a growing feeling among the company's employees that CARE's food packages for the hungry were more in the spirit of Christmas than impersonal, quickly forgotten corporate greeting cards.

John Nuveen & Co., the oldest and largest organization in the United States dealing in tax-free Public Bonds (Municipal Bonds) exclusively, was founded in 1898. It maintains offices in Atlanta, Boston, Cincinnati, Detroit, Los Angeles and St. Paul.

Bache Appoint Lerner Asst. Foreign Dept. Mgr.

Bache & Co., members of the New York Stock Exchange announce the appointment of Alfred Lerner as Assistant Manager of the Foreign Department located in the firm's home office at 36 Wall Street, New York City.

Mr. Lerner has been in the investment field for the past five years.

Forms Allen Secs. Co.

JACKSON, Miss. — Bryant M. Allen, Primos Fondren Building, is now conducting his investment business under the firm name of Allen Securities Company.

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Inflation and Insurance

prices have ultimately deflated close to or even below their prewar levels. In 1879, just 14 years after the close of the Civil War, the United States dollar was again made freely convertible into gold at its pre-war ratio, and prices had returned to approximately their pre-war levels. This was a feat of monetary deflation such as has not been performed since and is very unlikely to be performed in our time.

Again, after World War I, our dollar regained a large part, but not all, of its former purchasing power, except as this applied to certain wholesale prices in the depths of the depression.

Certainly, up to the time of World War II, the record of our money was such as to make it a quite desirable, although not perfect, unit of long-term account. What has been said about the United States dollar applies with equal force to the Canadian dollar. The record was such as to provide a highly suitable background for the origin and growth to maturity of the life insurance business on this continent in the form in which it exists today.

Prices Since 1941

The most widely used and one of the most meaningful indices of the purchasing power of the dollar currently available is the Consumer Price Index of the United States Department of Labor. This index is designed to take into account the cost of food, housing, apparel, and all other items which normally determine the cost of living. From December, 1940 to December, 1957, a period of 17 years, this index climbed from 59.9 to 122, indicating a decline in the value of the dollar of about 51%. This is equivalent to an annual discounting of this value at the rate of over 4¼% compounded. This decline in value was not, of course, uniform over the period, a fact which is indicated in Table III.

It would, no doubt, be incorrect to project this 4¼% annual rate of inflation into the future at this time. It arose in large part from the creation of a very large amount of new money through deficit financing during and immediately after World War II.

The creation of this new money supply far more than outpaced the increase in production and new money thus created in the form of commercial bank deposits tends to be a permanent thing. Its existence made rather ineffective the working of monetary controls on inflation for a period of years. Barring a great expansion of the money supply as a result of war or some other catastrophe, one would expect a slower average rate of inflation in future. Such deficit financing as may be used as a depression cure will probably be on a smaller and less inflationary scale than that which caused the inflation of the 1941-1948 period.

The pattern of prices during the war and in the years immediately thereafter followed those of other comparable periods in the past. Here the resemblance ceased. There has been no indication of a price decline such as followed World War I. Instead, our price level now seems to operate on a kind of ratchet system—it will go up and then is stabilized at the higher level until it is ready to go up some more. Value once taken out of the dollar has not been restored. Following two years of stability in 1949 and 1950, the Korean War took 10% from the value of the dollar, probably permanently. Then, after three years of a stable cost of living, prices entering the cost of living again began to rise. This last rise is probably the most disturbing of all, as it took place during a period of a balanced federal government budget, in a time we have come to regard as peace, and in an administration originally dedicated to sound money.

Currency depreciation in recent years has been a world-wide phenomenon; and compared with most countries of the world, the United States and Canada have done a rather superior job of maintaining the value of their money. In Table IV a comparison is made between the average annual rates of money depreciation for 10 countries with the rate of return obtainable from purchasing the highest yielding government bonds of those countries at the beginning of the respective periods covered. For the 11 years 1946 to 1956, inclusive, the average annual rate of money depreciation exceeded the highest available rate of return from government bonds purchased in 1946 in the case of all countries except Switzerland. In the 6 years from 1949 to 1956, the record was a little better. The average rate of depreciation was at a lower rate than the yield on government bonds purchased in 1949 in the case of four countries, including the United States, although in the case of the latter country the margin was small.

Current Outlook

The forces which seem to be working toward declining value in our money stem from the kind of world in which we are living, and will be only briefly summarized here:

(1) We live in a disorderly world, necessitating huge government budgets swollen principally by expenditures on armaments, which are nonproductive. The current armament race, accelerated by the advent of ballistic missiles, will throw an increasing strain upon government budgets, and is entirely inflationary in its impact upon the value of our money.

(2) The strength and militancy of labor unions have led to a wage-price spiral in which wage increases tend to outrun increases in productivity. In fact, throughout large areas of industry substantial hourly wage increases, coupled with costly increases in fringe benefits, are now regarded as a normal annual event. During the last two years in the United States and probably in Canada also, there has been little increase in real productivity per hour of work. Under these conditions, price increases inevitably follow wage increases.

(3) Economic pressure groups are an inflationary force tending to increase both prices and government spending. Farm price supports are a well-recognized example. Other pressure groups

TABLE III

Decline in Value of U. S. Dollar Based on Consumer Price Index Of U. S. Department of Labor

	Total Decline in Period	Annual Compounded Rate of Discount
December 1940 to December 1957 (17 years)	51%	4¼%
Wartime 1941-45 (5 years)	22	5⅛
Immediate Postwar 1946-48 (3 years)	25	10
Stable Period 1949-50 (2 years)	No Change	—
Korean War Period 1951-52 (2 years)	10	5⅜
Stable Period 1953-55 (3 years)	½	⅛
January 1956 to December 1957 (2 years)	5	3

oppose the use of such fiscal weapons as higher interest rates as a means of combating inflation. We have recently seen how promptly such weapons are sheathed at the slightest sign of deflation and before any drop in the cost of living has been experienced.

(4) The nations of the world and their currencies are no longer subject to the discipline of the International Gold Standard. Under the classic working of this standard, if prices within a country rose unduly, imports rose, exports fell, gold departed, and credit was restricted. This tended to deflate prices back into line. The process was usually accompanied by some unemployment and economic discomfort. Today currencies are exclusively the creatures of governments, and are very little subject to automatic discipline from outside.

It is doubtful if most western democracies are in a frame of mind to submit to the type of discipline necessary to avoid inflation. Certainly our experience in the present business recession would indicate that they are not. Public works and tax cuts are widely proposed, even when this means budget deficits which can only be met by the expansion of bank credit. This, in turn, will tend to provide the fuel for further inflation when the climate is right. Apparently when a modern government must choose between the maintenance of a full employment and a stable currency, the record so far indicates that it will generally choose the former.

With respect to all of the above conditions, our present place in history is in sharp contrast with the only period on record when the modern world experienced relatively stable money value, the century from 1815 to 1914. Over that period, we had a relatively peaceful world. Wars tended to be localized, and military establishments consumed only a small part of total productivity. Government budgets were low; and, in the laissez-faire economy of the time, the recognized economic responsibilities of governments were strictly limited. For example, the maintenance of full employment was not then recognized as a governmental function, nor was the maintenance of prices of basic commodities. In the years 1911 to 1915, the annual expenditures of the United States Government averaged $720,000,000, which is well under 1% of the present dollar level of such expenditures. Of this, $333,000,000 was for the Army and Navy, $165,000,000 was for veterans' pensions, and $222,000,000 covered everything else. The fact that money was able to retain its purchasing power under such conditions provides no basis for a belief that it can be made to do so under the entirely different conditions which now prevail and which contrast so strikingly with those of the preceding century.

It is only to state an unpleasant fact that there is an increasing belief abroad that further inflation, if not inevitable, is at least a strong possibility. Certainly, during the last 17 years the currencies of most countries of the world, including our own, have proven to be unsatisfactory units of long-term account. Nearly all of them have lost at least half of their purchasing power during that period, and some of them much more. There seems little hope of them regaining any significant part of this loss as happened in other comparable historical periods. In fact, there is widespread feeling that further loss in money value is a very strong possibility, and in the opinion of many students of the subject, a probability.

Dilemma Facing the Life Insurance Business

The impact of currency inflation and the strong possibility of further inflation faces the life insurance business with a difficult and cruel dilemma. To adjust its entire technical operation to the assumption that inflation is going to continue rather indefinitely into the future on a substantial scale would be a difficult, if not impossible, procedure and would also, no doubt, be construed as a defeatist attitude toward the most serious economic problem of our time. However, to make no adjustments in that technical operation in the light of events might also seem like a defeatist attitude in itself. In following such a negative course, the life insurance industry runs the risk of withdrawing in large measure from some of the most important functions in our society which it has heretofore helped perform to a very important extent, namely, the encouragement of savings and the mobilization of capital.

The analysis of life insurance in force presented in Table V points out certain trends within the industry. In the 10 years ending with 1956, life and endowment insurance, representing the plans which produce substantial reserve and asset accumulation, declined from 79% of total insurance in force to 56%, while term insurance, including group, increased from 20% to 43%. Reduced to dollars of constant purchasing power, the growth in life and endowment insurance over this period was 25%, a growth which did little more than keep pace with the growth in our population in this period. On the same basis, term and group insurance increased 276%.

To what extent this swing toward term insurance has been due to inflation fears and to what extent it has been due to other factors, such as the growth of pension plans and other types of social security, is difficult to say. In any event, it has had its effect on the asset growth of life insurance companies. The annual growth of these assets increased at an irregular rate to reach a peak in the year 1954 of $5,946,000,000. Thereafter it declined each year through 1957 when the growth was $5,300,000,000, a drop of 11% from 1954. In view of the rising trend of dollar incomes and savings of individuals over this period, it seems that life insurance has tended to become a less favored medium for the accumulation of savings than formerly.

When faced with such a dilemma as now confronts the industry on this continent, it is interesting to observe how others in somewhat similar circumstances have reacted.

In the United Kingdom the postwar rate of money depreciation has been considerably more virulent than here, resulting in a decline in the purchasing power of the pound to about one-third of its 1939 value. Without much doubt, this inflationary trend has had a substantial effect on the investment policies of the British life insurance companies. At the end of 1957, 43 British insurance offices had on average 17.7% of their life, annuity, and capital redemption assets represented by common stocks at book value, and another 9.1% represented by real property, or a total of nearly 27% of assets in equity-type investments. One company had over half of its assets in common stocks and property combined, and 13 out of the 43 companies had over 30% of their assets thus invested. The highest proportion of assets in common stocks alone was that of the Scottish Widows which had 41.4% of assets thus invested, but eight out of the 43 companies had over 25% of their life insurance assets in common stocks. These equity percentages represent book values and might be higher if taken at market values. The book value of the common stock holdings of this group of 43 companies has more than doubled over the five years ending with 1956, against an increase in their total assets of 43%. The increase in the book value of their common stock holdings accounted for 27% of their total increase in assets over the seven year period ending with 1957.

The "Economist" of London comments on this investment trend as follows: "It is too simple to assure that the life insurance industry is merely in the business of selling money claims for future settlement, and therefore need not concern itself too closely with what happens to the value of money during the life of a policy. In its participating assurance business, indeed, the policyholder has a direct interest in the results of the life fund; and each office, in competition with the others, is anxious to do well for him. Moreover, competition by way of rates and service is felt no less keenly in non-participating business. The trend towards equities is a policy aimed at growth and at some protection against inflation. It is rational and inevitable.

One does not need to look abroad for a similar trend in the handling of funds accumulated for the purpose of providing social security in its broader sense. Uninsured corporate pension funds in this country have become heavy purchasers of common stocks, and, on a relative basis, such stocks are the most rapidly growing part of their assets. In Table VI this trend in pension-fund investment is compared with that of the major life insurance companies. Based on market value, common stocks constituted 30% of the assets of uninsured corporate pension funds at the end of 1957, and in that year 37% of the net receipts of such funds were invested in common stocks, a higher proportion than in any preceding year.

New Investment Media Needed

It has been said that savings are one thing in the world that cannot be saved. They are dynamic rather than static by nature since they represent the excess of production over consumption. They are like an electric current or the energy in a flowing stream. They can be stored for future use only by transforming them into some other media, just as the energy in an electric current can be stored by transforming it into a chemical change in a storage battery, or the energy in a stream by storing water behind a dam. Media which are commonly used for storing the energy represented by the savings process are real estate ownership, bonds, stocks, bank deposits, or life insurance, all of these representing a claim on future production. The effectiveness of such media in preserving or even enhancing the fruits of savings can, of course, vary a great deal. If they prove ineffective to the point where a large amount of loss in real value results, then the savings process, which is the life blood of our economy, will be discouraged and slow down. This has already happened in some countries.

The ultimate justification for investing life insurance reserves largely in contractual obligations payable in a fixed number of currency units must lie in one of two assumptions. Either the currency unit is expected to fairly well maintain its value over extended periods of years, or the fixed rate of return received is designed to contain an element to offset the declining real value of the principal. To rely on the latter premise might prove unsatisfactory since it requires an advance judgment of the rate of expected inflation and it might require the imposition of interest rates which would appear usurious.

Therefore, if in the future money does not promise to serve as a reasonably satisfactory unit of long-term account—there is no such thing as a perfect one—we are at least encouraged to search for more satisfactory repositories of value than contractual investments payable in money. To accomplish this is not likely to be an easy task, and it is not to be expected that it can be accomplished to perfection. However, because a task cannot be performed perfectly is not a good reason for failing to attempt it at all.

The two types of equity investment media which suggest themselves as at least partial substitutes for contractual money investments are real property and common stocks. The former, if it is to serve its purpose in this respect, cannot be subject to long-term lease rental payments in a fixed amount of dollars. In such case, it would become just another contractual money investment. The rental must either be subject to frequent adjustment, or it must be geared in some way to the earning power of the property. The profitable ownership of a large amount of real property on this basis would raise management problems of substantial proportions which not all life companies may be prepared to undertake. However, considerable scope no doubt exists for this type of equity investment, particularly on the part of the larger companies.

However, a much broader field for equity investment no doubt exists in common stocks or shares. While these are by no means a perfect hedge against inflation—in the past their market values have tended to fluctuate much more widely than has the cost of living—they are probably the best large-scale medium available for this purpose.

Equity investments, and most particularly, common stocks, might be introduced more widely into the structure of life insurance by two approaches. The companies could continue to sell policies on the same fixed dollar basis as heretofore, at the same time adding substantially to their common stock holdings. The long-term capital appreciation and ultimately higher rates of return which would be expected to result from such a policy could be reflected in more liberal dividends on participating policies. If such higher dividends were paid in the form of paid-up additions to the face value of the policy, this would, of course, provide some offset to inflation.

To accomplish an increase in equity investments in this way, two things would probably be necessary. State investment laws in many cases would have to be liberalized. Also, some smoothing formula for the valuation of common stocks would probably be required if liabilities are to be rigidly valued and company surpluses limited to rather small proportions of assets.

Fortunately, a valuable precedent was recently set in establishing such a smoothing formula in the case of preferred stocks. This formula or some variation thereof might well be extended to cover common stocks. Along these lines, it might be provided that common stocks be written up or down in the course of a year by some fraction of the difference between their book or asset value at the beginning of the year, or their cost if purchased during the year, and their market value at the end of the year. The fraction used in the case of preferred stock is, of course, one-fifth. This fraction might possibly be considered too small; in the case of common stocks, in which case one-fourth or even one-third might be substituted. To be conservative, non-dividend paying stocks might be carried at market value. Such a smoothing formula would go a long way toward ironing out substantial fluctuations in the asset values of common stocks and would be an important step in enabling life insurance companies to substantially increase their investment therein.

Such a suggestion seems no more radical than the long-accepted practice of valuing bonds in good standing at amortized values even though these values may for long periods differ widely from market values. Many bonds purchased during the low interest period of the 1940's and early 1950's have for extended periods since that time been selling much

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TABLE IV

Annual Rate of Currency Depreciation vs. Yield on Long Government Bonds

(From Annual Report of Bank for International Settlements)

	Annual Rate of Money Depreciation		Yield on Long Government Bonds	
	1946-56	1949-56	1946	1949
Belgium	4.3%	2.3%	4.2%	4.6%
Denmark	4.8	4.8	3.6	4.4
France	13.4	5.3	3.2	4.8
Italy	7.0	2.2	4.7	5.4
Netherlands	4.3	4.2	3.4	3.3
Norway	4.9	6.3	3.0	2.5
Sweden	4.9	5.3	3.0	3.0
Switzerland	1.4	1.3	3.1	2.9
United Kingdom	6.0	5.6	2.6	3.0
United States	3.7	2.2	2.2	2.3

TABLE V

Life Insurance in Force in U. S. Companies (Spectator Year Book)

(Billions of Dollars)

Dec. 31	Life and Endowment	Term	Group	Term and Group	Dividend Additions	Total
1946	138	7	28	35	2	175
	79%	4%	16%	20%	1%	100%
1956	243	47	139	186	3	432
	56%	11%	32%	43%	1%	100%
Adjusted to Dollars of Constant Purchasing Power (1947-49=100)						
1946	165	8	34	42	2	209
1956	206	40	118	158	3	367
% Increase	25%			276%		76%

TABLE VI

Pension Funds vs. Life Insurance Companies

(Amounts in Millions of Dollars)

	Corporate Pension Funds*			Life Insurance Companies† (49 Cos. with 86% of Assets)		
	Total Assets	Com. Stocks	% in Com. Stocks	Invested Assets Plus Cash	Com. Stocks	% in Com. Stocks
1951	6,876	812	11.8	56,544	462	.8
1952	8,505	1,226	14.4	60,336	537	.9
1953	10,222	1,649	16.1	64,287	594	.9
1954	12,153	2,286	18.8	68,506	791	1.2
1955	14,230	2,958	20.8	72,830	929	1.3
1956	16,639	3,774	22.7	76,901	965	1.3
1957	19,316	4,770	24.7	80,750	1,035	1.3

*Securities and Exchange Commission. †Life Insurance Association of America.

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Inflation and Insurance

below their amortized values, sometimes as much as 20% below.

Some More Technical Suggestions

A more far-reaching suggestion which would involve some basic technical changes in the nature of the life insurance business is as follows:

Certain new types of policies might be issued involving both guaranteed fixed-dollar benefits and also benefits which would depend upon the results obtained from equity investments. What I have in mind can be best illustrated by some practical examples. Take a 20-year endowment policy. This can be broken down into a 20-year term policy and a 20-year pure endowment policy. The 20-year term part could have its reserves set up in the traditional way and invested entirely, or very largely, in fixed-dollar media so that the full face amount of the policy could be guaranteed in the event death occurred prior to maturity. The pure endowment reserve, however, might be invested all or in substantial part in equities, such equity investments to consist of participating shares in the company's entire common stock portfolio. While the amount payable at maturity would be a variable number of dollars depending upon the behavior of the common stock account, it would seem that the company could without much risk guarantee some minimum amount depending upon the proportion of the pure endowment reserve invested in equities. If this reserve were to be invested entirely in equities, such minimum guarantee might run as high as 80% of the face amount of the policy without much risk to the company, while a partial investment of the reserve in equities would permit a higher percentage guarantee.

A new type of 20-payment life plan might also be devised along somewhat similar lines. The premiums and reserves would be broken down into those applying to a 20-year term policy and to a life policy deferred for 20 years. The 20-year term reserve would be invested in fixed-dollar media to provide for the payment of the face amount of the policy if death should occur in the first 20 years. The deferred life reserve could be invested entirely or in substantial part in equities which again might take the form of participating shares in the company's common account. The amount payable after 20 years would be greater or less than the face amount of the policy depending upon whether the reserve accumulated in such participating shares was worth more or less than the conventional reserve. Here again some substantial minimum guarantees might be made without material risk to the company. At the end of the 20-year period the insured might use the then current value of the reserve to purchase paid-up insurance of a fixed-dollar type, if economic conditions at that time seemed to make this a desirable move.

There seems to be no good reason why the same line of thought could not be carried into ordinary life policies. Part of the premium would be used for the first 20 years to purchase a fixed dollar 20-year term policy. The remainder would be invested in equity shares to go toward the building up of a deferred life reserve at the end of 20 years, to which the premiums collected after 20 years would continue to contribute. The amount payable after 20 years would be a variable amount depending on the dollar value of the equity shares in the reserve.

The reason for selecting 20 years as the initial term in all of these cases is because experience has shown, that except in the most unusual circumstances, a reserve intelligently invested in equities over such a long period will tend to represent a larger dollar accumulation at the end of the period than a fixed-dollar reserve. For shorter periods one cannot feel so confident of this. For those insured who cared less for a fixed guaranteed amount for a long period of years and who were prepared to more fully and immediately trust themselves to an equity position, a shorter initial period of fixed term insurance might be in order.

Some Experimental Calculations

Certain calculations based on the market price behavior and yields on stocks over various 20-year periods of time give a good deal of encouragement to the above suggestions. For the years 1929 to 1956 Moody's common stock averages for 200 stocks were used. This common stock average is a very broad one. It embraces 125 industrial, 25 railroad, 24 utility, 15 bank, and 10 insurance stocks. Each stock is weighted by the number of shares currently outstanding. In computing the averages, adjustments have been made for all stock splits and stock dividends, so that the series are comparable throughout the period covered. Market prices, dividends, and yields are annual averages of the month-end figures. Unfortunately, this series begins only in 1929 and so for common stock experience prior to that time resort had to be made to the Dow Jones Industrial Average of 30 Stocks.

In making the calculations which have been summarized in Table VII, I assumed the investment of $100 in the stock averages in each of 20 consecutive years, 1915 to 1934 inclusive, for example, with the accumulation being carried through to 1935. In making such an accumulation, a rate of return was allowed on market values which was ½% less than the rate of dividend return actually achieved on such values. This deduction was made to allow for expenses and profits. The dividend return, less the ½% deduction, was assumed to be received annually at the end of a year of experience and reinvested in the stock averages at that time.

The three 20-year periods chosen for experimentation had widely differing characteristics. The 1915-35 period embraced World War I, the stock market boom of the 1920's which reached its crest in 1929, and the period ended in 1935 when recovery from the depression was just under way. In 1935 the Dow Jones Industrial Stock Average was only at 38% of its 1929 average level.

The 1929-49 period began in a year when Moody's stock average was at a peak level which it did not regain for 25 years. It embraced the period of the depression and of World War II, during which excess profits taxes tended to depress corporate earnings and stock market values.

In 1949, at the end of the period, Moody's 200 stock average was still at only 54% of its 1929 level.

The 1936-56 period covers the most recent 20 years available. Common stocks hit a peak in 1936 which they did not regain until 1945, nine years later. The last part of this period, of course, embraced the stock market boom of the 1950's, which accounts in large part for the generally excellent experience of the accumulation over this period.

While the data in Table VII is not all-embracing, it does seem to encourage some significant conclusions. It appears that over an extended period of years common stocks which are selected with an average amount of skill and good fortune are a more efficient accumulator of dollars than fixed-dollar investments which yield 3½% on average. Over a 20-year period this has been almost universally the same. It would be possible to pick a 20-year period in the past when this was not true, but such a period would have to end in the depression years 1932, 1933, or 1934, which were very exceptional years in our economic history. It is unlikely that such a period will be repeated. Even over shorter accumulation periods than 20 years, the comparison has in general been favorable to common stocks.

In determining the end results of such accumulations as are summarized in Table VII, the level of the stock market at the end of the period is extremely important. However, it is not necessary to seek out a period which ends with stocks at a relatively high level to make such accumulations turn out superior to fixed-dollar accumulations.

In the event that the initial period ends at a time when stocks are selling at relatively low levels, the insured or beneficiary might choose to leave all or part of the proceeds on deposit in the form of equity shares to wait for a more propitious time to withdraw.

Some additional light is shed on the long-term behavior of common stocks by the study of an index which goes back over a period of 87 years. This index is based on the Alfred Cowles & Associates Common Stock Index for the period 1871—1937 which has been grafted into the Standard's Statistics Index which began about 1918. In compiling these indices each stock price has received a weight equal to the price per share multiplied by the number of shares outstanding.

The period covered Includes 87 single years, 83 periods of five consecutive years, 78 periods of 10 consecutive years, 68 periods of 20 consecutive years, and 58 periods of 30 consecutive years. The behavior of this stock index in these various periods is summarized in Table VIII.

There were four periods of 20 consecutive years in which the index ended lower than it began the period. These periods and the behavior of the index over them were as follows:

Period	Index Beginning of Period	Index End of Period
1873-93	38.0	37.7
1874-94	36.2	34.7
1912-32	75.5	48.6
1913-33	67.3	63.0

Earlier in this paper the writer suggested 20 year endowment and 20 pay life plans with guaranteed dollar amounts payable on death in the first 20 years, but with the balance of the premium over and above that required to pay for such term insurance to be invested in equity accumulations. One practical defect of such a type of policy would be the sudden change in the amount payable at or after the end of the initial 20-year term. That this change is likely to be substantial is indicated by the accumulation figures in Table VII. In the case of the first three sets of equity accumulations shown in this table, which do not contain any survivorship factor, the amounts at the end of 15 and 20 years, with one exception, exceed the pure endowment reserves for ages at issue 30 and 45 at the end of an equal period of time from issue.

This suggests that some fraction, 25% might be a suitable one, of the pure endowment premium might be invested in stocks and accumulated within benefit of survivorship. This part of the stock accumulation could then be paid as a supplementary death benefit in addition to the fixed dollar term insurance. The remainder of the pure endowment premium would be accumulated in stocks with benefit of survivorship and would be payable only in the event of the insured living to the end of the term. By such an arrangement the abrupt change in benefit payments at the end of the initial term would be somewhat mitigated.

The data in Table VII also suggests that it would be quite possible to guarantee some minimum level of cash values in the case of such policies. It appears likely that such minimum guaranteed cash values could be set at not less than 75% of those allowed in the case of the same initial amount of fixed dollar insurance for the same premium and age at issue, without exposing the issuing company to appreciable risk. These minimum guaranteed cash values could be supplemented by such additional amounts as the behavior of the stock accumulations might justify. After all, the guaranteeing of cash values in the case of fixed dollar reserves has involved some risk, in view of the rather wide fluctuations which have taken place in bond prices.

Reasons for Satisfactory Behavior of Stock Accumulations

One reason for the satisfactory behavior of common stock accumulations, even in the face of market conditions which at first glance would seem to mitigate against the process, is the beneficial effect of dollar averaging. As a result of this, fewer shares would be bought in such years as 1929, 1936, or 1957, when stocks attained peak levels, and a larger number of shares would be purchased in periods when stocks were at relatively low levels. The average cost per share, therefore, tends to be below the average level of the market.

More fundamental to the success of such a program is the fact that American corporations over a long period of years have done a pretty good job of maintaining the percentage of their sales which they have been able to carry through to net earnings after taxes. Such earnings as a percent of sales have fluctuated by individual companies and by industry, but for business as a whole the showing has been a relatively favorable one. It would not be possible to demonstrate this accurately without a great deal of statistical research. However, the general truth of the assertion is implied in the data presented in Table IX, which the writer believes to be one of the most important in this paper.

In Table IX earnings per share for Moody's 200 stocks have been compared with the Gross National Product as computed by the Department of Commerce. As previously stated, these per-share earnings have been adjusted for stock dividends and stock splits so as to produce a comparable series. The table indicates that over an extended period of years, which has included depressions and booms, a World War and quite substantial inflation, coupled with a revolutionary increase in taxation, earnings on these shares have maintained a fairly consistent relationship to the Gross National Product. Holders of them have fairly well maintained in the form of earnings their share in the total national income. It is quite true that there have been fluctuations in this relationship. The period 1929-33 cannot be regarded as normal by any economic yardstick. In the late 1930's selling prices of products tended to run ahead of costs and corporate profits tended to recover rapidly, with a setback in 1938. During the war, the excess profits tax restricted the share of corporate profits in a rising Gross National Product. Allowing for these factors, the constancy of the relationship between earnings on these stocks and the Gross National Product is fairly impressive. Earnings per share have tended to represent throughout a fairly constant share of the Gross National Product.

Some Fallacies and Facts Regarding Common Stock Investments By Life Insurance Companies

The writer has on several occasions heard the thought expressed that there are a comparably small number of blue stocks in existence in which a life insurance company would care to invest, and if heavy life insurance company buying were concentrated in these stocks, they would be forced up in market price to levels where they would no longer be attractive. This train of thought seems erroneous on several counts. There are in existence a very large number of common stocks in which a life insurance company might invest under proper conditions. In the electric utility industry alone, there are about 130 companies of some stature, at least 105 of which have annual revenues in excess of $10,000,000. In the past the stocks of some of the smaller of these companies have been much more rewarding than those of some of the largest and may very well continue to be so. There are at least 69 substantial gas utilities in the country, of which 46 have annual revenues over $10,000,000. While these industries may be extreme examples, they point to the fact that the number of common stocks from which an institu-

TABLE VII

Accumulations Resulting From Investment of $100 Per Annum in Common Stocks vs. Fixed Dollar Accumulations With 3½% Int.

Period of Experience	Mortality Survivorship Factor	Market Value of Fund At the End of Various Periods 5 Yrs.	10 Yrs.	15 Yrs.	20 Yrs.
1915-1935*	None	$595	$1,889	$4,446	$3,365
1929-1949†	None	450	1,204	2,333	4,186
1936-1956†	None	462	1,620	3,904	10,311
$ Accumulation at 3½%	None	555	1,214	1,997	2,927
1915-1935*	CSO Initial Age 30	603	1,945	4,714	3,696
1929-1949†	CSO Initial Age 30	454	1,237	2,456	4,590
1936-1956†	CSO Initial Age 30	467	1,872	4,128	11,391
Pure Endowment at 3½%	CSO Initial Age 30	562	1,249	2,105	3,202
1915-1935*	CSO Initial Age 45	615	2,048	5,275	4,494
1929-1949†	CSO Initial Age 45	462	1,299	2,712	5,558
1936-1956†	CSO Initial Age 45	476	1,969	4,596	13,990
Pure Endowment at 3½%	CSO Initial Age 45	573	1,314	2,331	3,863

*Dow Jones Industrial Averages. †Moody's 200 stocks.

TABLE VIII

Change in Value of Stock Prices 1871-1957 Inclusive

Length of Period	No. of Periods	Periods of Gain in Value	Periods of Loss in Value	Same	% Change of Gain in Value
1 year	87	50	36	1	57%
5 years	83	56	27	0	67
10 years	78	65	13	0	83
20 years	68	64	4	0	94
30 years	58	58	0	0	100

tional investor may properly choose is very large.

One should not lose sight of the fact that bonds, preferred stocks, and common stocks are simply media through which savings flow into investment. The supply of no class of such media is fixed in relation to the others. Bonds are issued only because there are people who will buy them. If bonds and preferred stocks could not be sold readily, or if they could not be sold other than on a very high yield basis, then more common stocks would be issued and the supply of these increased. Again, take the utilities as an example. It has been their custom to raise by far the greater part of their outside capital requirements through the sale of bonds, and to a much lesser extent by the sale of common stocks. At the end of 1955, about half of all public utility bonds were owned by life insurance companies. These bond holdings, purchased largely over the last 15 years, have not on the whole been a rewarding investment. Generally speaking, they have been poor receptacles for the retention of real value. Not only has the currency in which they are payable lost value, but their market prices have tended to shrink as a result of rising interest rates.

The common stocks of these utility companies, on the other hand, have been purchased to only a small extent by life insurance companies. By any standard of comparison, they have been a much more rewarding investment media than the bonds of these companies, and are likely to continue to be so. As inflation has progressed, the public service commissions, either on their own volition or as a result of pressure from the courts, have had to pay increasing attention to reproduction costs in setting permissible levels of earnings for the utilities. The benefits accruing from this trend, which is in the nature of an upward revaluation of the property in terms of dollars, go entirely to the common stockholders, as the holders of the bonds and preferred stocks have only fixed dollar claims.

Likewise in the industrial field very large amounts of bonds have been issued in the last 15 years, a large proportion of which has been purchased by life insurance companies. If a market had not thus been provided for these bonds, these industrial companies would have had to issue a much larger volume of new common stocks than was actually the case. This would have tended to depress the market for these stocks and added to their attractiveness as potential purchases.

At the present time, taxable corporate bonds are sold very largely in what may be described as a captive market. This market is largely provided by institutional investors which, by law or because of the nature of their liabilities, feel that they must invest largely in fixed dollar media. The largest segments of this captive market are life insurance companies and public and private pension funds.

Corporate bonds which are fully taxable are no longer purchased to any extent by individuals unless these bonds happen to be convertible. Investment by individuals is now directed very largely toward tax exempt municipal bonds, common stocks, or some other type of equity investment, such as mutual funds or real estate. It is the writer's opinion that the above described captive market for corporate bonds has become rather static in size and may even have started to decline. As has been pointed out previously, life insurance assets appear to be growing at a less rapid rate than formerly and pension funds, particularly the private ones, are directing their attention increasingly toward equity investments.

It is sometimes pointed out that the yield on some common stocks, taking into account the cash dividend only, may not compare well with that on bonds and mortgages. This is held to be an objection to the former from the point of view of a life insurance buyer which is trying to maintain or improve the average yield on its funds. The real return on common stocks, of course, accrues in two ways, from the cash dividend paid and from the earnings retained in the business for the ultimate benefit of the stockholder. For example, in 1956 Moody's 200 stock average (Table XI) had a mean market value of 130.55, earned $9.26, and paid in dividends $5.31. The real return accruing to the stockholder was about 7.1%, of which 4.1% was paid in cash and 3% was retained. The latter was about sufficient to offset the rate of inflation then going on, so that the 4.1% could at least be regarded as a real net return.

The case of fixed interest media is, of course, different. There the interest paid is the sole return. A realistic bondholder of the last 17 years would have had to regard a large part of any interest received, perhaps all of it, as an offset to loss in the real value of the principal, and not as an interest return at all. Unfortunately, this was only learned after the event.

TABLE IX

Common Stock Earnings Compared With Gross National Product

	Gross National Product (Billion $)	Earnings per Share 200 Stocks	Ratio of Earns. per Share to G.N.P.*	5 Year Running Average
1957	434.4	$9.10	2.1	
1956	412.4	9.25	2.2	
1955	390.9	9.39	2.4	2.2
1954	360.7	7.54	2.1	2.1
1953	363.2	7.25	2.0	2.1
1952	345.4	6.80	2.0	2.2
1951	328.2	6.80	2.1	2.2
1950	285.1	7.67	2.7	2.3
1949	257.3	5.94	2.3	2.3
1948	257.3	6.48	2.5	2.5
1947	232.2	4.93	2.1	2.4
1946	209.6	3.48	1.7	2.5
1945	213.6	2.97	1.4	1.7
1944	211.4	3.15	1.5	1.6
1943	192.5	3.10	1.6	1.8
1942	159.1	3.10	1.9	2.0
1941	125.8	3.17	2.5	2.2
1940	100.6	2.67	2.6	2.2
1939	91.1	2.23	2.4	2.4
1938	85.2	1.40	1.6	2.6
1937	90.8	2.79	3.1	2.5
1936	82.7	2.57	3.1	2.4
1935	72.5	1.69	2.3	2.4
1934	65.0	1.17	1.8	1.9
1933	56.0	.90	1.6	1.7
1932	58.5	.43	.7	1.9
1931	76.3	1.55	2.0	2.5
1930	91.1	3.08	3.4	
1929	104.4	4.91	4.7	

*Earnings per share in cents divided by Gross National Product in billions of dollars.

TABLE X

Major Declines in Common Stock Prices as Reflected by Dow-Jones Averages of 30 Industrial Stocks

	Drop in Stock Prices	Low Point of Decline
June 1901 to November 1903	—46%	31
January 1906 to November 1907	—49%	39
November 1916 to December 1917	—40%	66
November 1919 to August 1921	—47%	64
September 1929 to November 1929	—48%	195
April 1930 to July 1932	—86%	41
March 1937 to March 1938	—49%	97
October 1939 to April 1942	—40%	93
May 1946 to October 1946	—25%	160
June 1948 to June 1949	—17%	161
January 1953 to September 1953	—14%	254
July 1957 to October 1957	—19%	419

Problems and Pitfalls of Common Stock Investment

It is not the intention of this paper to infer that common stock investment by a life insurance company is likely to be an easy street leading always in the right direction. The process is likely to be beset with a group of problems, trials, and doubts far exceeding in intensity and continuity those encountered in the making of fixed dollar investments. It is probably a fact that the intelligent handling of common stocks and other types of equities, requires a higher and somewhat different type of investment skill than that required in the purchase of fixed dollar media. This skill, which is a purely relative thing, will be compounded of knowledge, judgment, and a healthy amount of suspicion. It will include a blending of daring with caution, along with much patience and basic humility. It is no field for a perennial optimist or a promoter.

This required type of investment skill is not likely to be built up over night and an institution embarking in this field should be content to crawl before it walks and walk before it runs. One is unlikely to stumble badly while crawling, and one can stumble worse while running than while walking.

The handling of a common stock portfolio is a day to day and hour to hour proposition. Therefore, a good deal of responsibility as to the selection and buying of an individual stock must be placed in the working investment staff. Until this staff has been built up to a level where it has the confidence of the management, the carrying out of any common stock program will be difficult. It is different from the case of bonds where individual purchases may be authorized at periodic meetings of a finance committee and comparatively little discretion left to the investment staff.

A valuable attribute to a common stock program is continuity. The rate of buying may be maintained at a constant level over extended periods or it may be made to fluctuate depending on relative conditions in the stock, bond, and other financial markets. However, if the program is halted altogether, it may be difficult to get it started again before valuable buying opportunities have been lost. Also it might be difficult to maintain the attention of the in-

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Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

A miscellany of insurance notes.

Fire losses, an important component in total insurance company losses, are materially more hopeful than for a good while. Whereas for a long period of monthly reports on a 12-month basis they had been running 5 to 10% higher than the preceding like period, they are now trimming that range. In the first 10 months of 1958 they were 3.3% higher than in the like period a year earlier, according to the National Board of Fire Underwriters. October losses were 5.6% below those of October, 1957; and a minor increase of one-tenth of 1% over September, 1958.

Seasonally, they should be on the uptrend for perhaps six months; the winter months bring a greater burning ratio, what with defective furnaces, upset oil stoves, and much overheating. But the improvement that is taking place is most welcome as a contribution toward a better underwriting showing.

A study by the Oklahoma Insurance Information Office on a county in that state brings out that there has been a great increase in jury awards in cases against the insurance companies. In this study, it was shown that there had been an average increase from $2,585 in personal injury suits in 1947 to nearly $90,000. This may seem to be a fantastic increase, but has it not always been a cardinal principle of the injured in a suit against a corporation that the latter is to be really "taken?"

We have found much more hopefulness about the underwriting outlook on the part of the insurance company officials to whom we have talked recently. More rate increases have been granted, particularly in the troublesome motor vehicle lines, and more of the increases are making themselves felt as time passes and old policies expire.

An important addition to the fire-casualty companies acquiring life units is the proposed takeover by Hartford Fire Insurance Company of Columbian National Life Insurance Co. of Boston. The merger is now being checked by the Connecticut Insurance Department, and if approved, the Columbian shareholder will receive seven shares of Hartford Fire for each 10 shares of the life company. This is the second of the very large fire units to get into the life business, Insurance Co. of North America having already set up its own life department. And, of course, the move is likely to continue.

Continental Casualty, a company with an important position in the life field via two affiliates, has gone over to the fire field by its acquisition of National Fire of Hartford. We are witnessing a trend toward "bigness," just as it is taking place in the banking and industrial fields. Presumably, in due course, such "bigness" will invite investigation and opposition as in the cases of First National City Bank and County Trust, and of Bethlehem Steel and Youngstown.

And, speaking of mergers, Fireman's Fund Insurance of San Francisco is to take over its Indemnity Company. This, however, is different, as the Indemnity company has right along been wholly owned by the parent, and now that multiple-line writing is permitted in most states, the matter of competitive operations is of no consequence here.

Also on the way is a take-over of Fire & Casualty Insurance Co. of Connecticut by Security of New Haven.

Northern Insurance of New York is to issue a stock dividend, one new share for each share now held; and at the same time will issue rights to subscribe at a price still to be announced to one new share for two now held.

It is proposed by Hartford Steam Boiler Inspection and Insurance Co. that a stock dividend of 33⅓% be paid.

A congressional committee is about to start hearings on the subject of a revision of the tax on life insurance companies. There is no indication as to how matters will shape up, but there seems to be more general thought that the levy will be heavier than it has been. Life companies are not now based on underwriting results, and it has been somewhat difficult to arrive at a method of taxing that part of the business, what with provisions for reserves, etc. Also a complication arises over the fact that there is an important group of mutual companies and a very large number of stock company writers. The former may be said to belong to the policyholders; the latter to stockholders.

In a very general sense the stock companies favor taxing only income from investments, the present procedure. The main body of mutuals, large and small, favor taxing both sources of income. The additional tax is not likely to be very large when spread over more than a thousand life companies; and the market in life stocks seems to be saying that it will not be too onerous. However, not alone life company stockholders, but policyholders also, ought to keep an eye on the hearings.

Two With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John L. Fisher and William S. Watson are now associated with E. F. Hutton & Company, 623 South Spring Street. Mr. Fisher was formerly with Merrill Lynch, Pierce, Fenner & Smith.

Mitchum, Jones Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — David T. Driscoll is now affiliated with Mitchum, Jones & Templeton, 650 South Spring Street. He was previously with Hooker & Fay.

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Inflation and Insurance

vestment staff in stocks after action ceases altogether.

The chief technical problem in connection with common stock investing is that stocks go down as well as up in price. This is clearly illustrated by Table X. This table indicates that there were four occasions between 1900 and the onset of the great depression in 1929 when industrial stocks, measured by the Dow-Jones Industrial Average, lost nearly half of their value in the course of a single decline. The 1929-32 period was, of course, unique, and the active expectation of the recurrence of such a period would put a damper on any common stock program. There were two occasions between 1933 and World War II when stocks again lost nearly half of their value in the course of a decline. After World War II the declines have not been as great percentagewise, probably due to the buoyant effect of inflation on stock prices and the freedom from major recessions in this period.

The encouraging feature of the table is that stocks as a whole have come back in price after each decline and have proceeded to go higher. Except for the 1929-33 period, the low points reached in each successive decline tended to be progressively higher than the preceding low points.

It is evident from this market performance of common stocks that the size of a company's surplus, investment contingency reserves, and mandatory security valuation reserves will be a limiting factor on its common stock investments as long as its liabilities must be rigidly valued in dollars. A company under these circumstances should probably so conduct its affairs as to be able to look with some indifference on a 25% decline in the market value of its common stock holdings. It should even be able to bear up under a 50% decline, possibly with some discomfort, being hopeful that the discomfort will not be too long lived. It is also evident that in view of the short durations of the periods of decline during the last 25 years that a smoothing formula such as has been advocated earlier in this paper would be a great help in expanding permissible common stock investment.

In the event the technicalities of the business were so altered as to permit some liabilities to be expressed in equity shares having fluctuating dollar values, much of the restriction arising from present bookkeeping methods would be removed from common stock investment.

Probably the greatest safety factor a life insurance company can find in investing in common stocks is the element of diversification—diversification among industries and also among companies within an industry. This does not mean that all industries, no matter how unpromising or regardless of the price of their shares, should be represented. It does mean that enthusiasm for any one industry or company should be kept within bounds to the point where a disproportionate part of the available common stock fund does not become represented thereby. The fortunes of different industries and their stocks may be moving in different directions at the same time, and with broadly diversified stock investments, favorable trends have a chance to offset unfavorable ones.

It is true that staff considerations and the supervisory problem will impose some limit on the number of stocks represented. However, the ability to select through close analysis and the ability to supervise may turn out to be less acute than was expected, and it will prove more comfortable in the long run to err on the side of too many names rather than on that of too few. One advantage in a long list of names to work from is that in periods of relative high stock prices, a long list permits better selection of the comparatively few fields where good value may still exist.

Conclusion

This paper will probably raise more questions than it can hope to answer. There are probably at the present time a number of obstacles, including legal ones, to putting some of the suggested ideas into effect. Some of these ideas may have superior alternatives. This paper is, in a sense, exploratory, but it deals with a field which seems to require exploring at this time.

The writer believes that a strong case can be made for a substantial amount of equity investment by life insurance companies aside altogether from inflationary considerations. Certainly this paper is not meant to convey the thought that continuing large-scale inflation over the long pull is inevitable. Such a prospect would be calamitous for our economic and political systems and it must, therefore, be resisted by all the means in our power. Lenin is said to have declared that the best way to destroy the capitalistic system is to debauch its currency, and he must be granted the status of an expert in this field.

However, most economists today recognize that our economy does contain strong forces which make further inflation on some scale a strong possibility and some of them consider it a probability. One well-known professor of economics in the course of a lecture to the Life Insurance Investment Officers Seminar in 1957, expressed the belief that modern governments lack either the will or the ability to maintain the value of their money. Many people and institutions desire to hedge against this in their investment and pension programs and many are already doing so. This is something which the life insurance business cannot very well ignore insofar as its technical operation and investment policy is concerned.

TABLE XI

Moody's Common Stock Averages of 200 Stocks

	Market Price per Share	Market Price Index 1936=100	Earnings per Share	Price Earnings Ratio	Dividend per share	Yield
1957	125.46	276	$9.10	13.8	$5.43	4.33%
1956	130.55	287	9.26	14.1	5.31	4.07
1955	117.36	258	9.39	12.5	4.75	4.06
1954	89.07	196	7.54	11.8	4.23	4.78
1953	72.81	160	7.25	10.0	4.00	5.49
1952	71.73	158	6.80	10.6	3.94	5.50
1951	66.98	148	6.80	9.9	4.09	6.12
1950	56.23	124	7.67	7.3	3.53	6.27
1949	46.68	103	5.94	7.9	3.09	6.63
1948	47.46	105	6.48	7.3	2.74	5.78
1947	46.46	102	4.93	9.4	2.38	5.13
1946	51.34	113	3.48	14.7	2.02	3.97
1945	46.02	101	2.97	15.5	1.92	4.19
1944	38.12	84	3.15	12.1	1.84	4.81
1943	35.36	78	3.10	11.4	1.73	4.89
1942	26.66	59	3.10	8.6	1.77	6.67
1941	30.50	67	3.17	9.6	1.90	6.25
1940	33.84	75	2.67	12.7	1.78	5.31
1939	35.72	79	2.23	16.0	1.48	4.15
1938	33.25	73	1.40	23.8	1.43	4.38
1937	44.04	97	2.79	15.8	2.04	4.77
1936	45.41	100	2.57	17.7	1.59	3.50
1935	32.44	71	1.69	19.2	1.30	4.06
1934	29.74	65	1.17	25.4	1.21	4.11
1933	26.78	59	.90	29.8	1.13	4.42
1932	21.05	46	.43	49.0	1.50	7.36
1931	40.82	90	1.55	26.3	2.42	6.17
1930	65.90	145	3.08	21.4	2.93	4.54
1929	86.00	189	4.91	17.5	2.89	3.41

Continued from first page

The Canadian Domestic And International Scene

achieve a new peak in 1958. Available data indicate that it will amount to more than $32 billion, an increase of 2%.

Unfortunately, most of this increase has been due to advances in prices so that volume of production shows little change. In other words, on an over-all basis, we have been producing as much as ever.

What is true for the economy as a whole is not necessarily true for particular industries, but this situation has prevailed throughout most of the postwar period. Some industries have experienced a recession in production and sales whereas the volume of others has increased. Industrial production has been below peak levels but the service industries have continued to expand.

Throughout the postwar period we have been proud of the basic strength of our economy and of the fact that we have experienced a more rapid rate of economic growth than has the United States. The events of the past year have strengthened that pride. The levelling off of economic activity in Canada has not been as great as in our nieghbor to the south and ample evidence still exists of strong underlying forces of expansion in the Canadian economy.

In a dynamic free economy periods of rapid growth are bound to be followed by periods of consolidation and correction. In fact, they are necessary in order to eliminate distortions in the economy which booms are bound to breed. Perhaps the surprising thing is that the correction has not been deeper and longer.

Should Count Our Blessings

Briefly, I am suggesting that we Canadians should count our blessings as well as our misfortunes and shortcomings. Taking everything into consideration, we have had a relatively good year. However, this does not mean that we should be satisfied with the results—far from it. The failure of the Canadian economy to achieve any growth in real terms is disturbing and since population has continued to increase it means that there has been some reduction in our standing of living.

I do not propose to discuss in detail the economic climate of 1958 and the trends in various segments of the economy. That is largely past history and I know you are more interested in the future.

The Outlook for 1959

What, then, is the economic outlook for 1959?

A number of uncertainties obscure the view of the road ahead but it seems to me that Canadians can look forward to 1959 with cautious optimism. During the past eight months economic activity in Canada has been following a gentle upward grade. Continuance of this trend is to be expected and some acceleration of the rate of progress may develop. However, a resumption of the rate of growth experienced in 1955-56 is not a near-term prospect.

As usual, there are both favorable and unfavorable factors impinging on the outlook. The most important of these is the economic climate in the United States—the largest market for our exports. The U. S. economy has definitely turned upward and the recovery appears to be more vigorous than was generally regarded two months ago. Assuming this trend continues then we can look for an increase over 1958 levels of our exports of traditional items to that market.

As against this, prospects for exports to the United Kingdom and Western Europe have deteriorated. True, Britain has removed restrictions on a wide range of imports from Canada and announced that dollar discrimination will be reduced further and ended as soon as possible. But the United Kingdom and Western Europe are now experiencing some slackening of business activity.

Trade Prospects Mixed

One of the favorable developments of the current year has been the reduction in our trade deficit, particularly with the United States. Exports in the first nine months of the year were slightly higher than in the same period of 1957 whereas imports were down by 11%. However, it should be recognized that the maintenance of our exports in 1958 has largely been due to increased shipments of wheat and of such unusual items as cattle, uranium and aircraft. Next year our wheat is likely to be faced with increased competition as a result of heavy crops in the United States and other exporting countries. As a result of a build-up of U. S. herds there may be a lessened demand for our cattle. Of the major contributing items to our favorable export situation in 1958 uranium alone has prospects for further improvement in 1959.

You will gather from what I have said that trade prospects are mixed for 1959. However, if the recovery trend in the U. S. proves decisive then one can expect our exports to exert a mild expansionary influence on our economy. Perhaps I should say frankly that resumption of a desirable rate of growth for the Canadian economy is dependent on recovery and expansion of our traditional exports of products of our mines and forests.

Consumer and Capital Spending

Personal disposable income has continued to increase in 1958 despite the fact that we have had a large number of people unemployed. In view of recent wage increases in a number of important industries this upward trend is likely to continue and this suggests that consumer spending will remain on a high level. The more money Canadians have in their pockets the more they spend. During the past year consumer spending has been a major support for the economy and this should also be true in 1959.

New capital investment by business in 1958 has been about 10% below the 1957 figure and a further drop appears to be in prospect for 1959. Re-establishment of a decisive growth trend could alter the situation materially but it should not be overlooked that many Canadian industries have excess capacity. One of the important elements in our capital investment program of earlier postwar years was capital spending by our resource industries but world capacity is now sufficient to take care of foreseeable requirements of raw materials in the years immediately ahead.

The drop in total capital spending has not been nearly as great as the decrease in new capital investment by business. Increased capital outlays by governments have offset the fall in business expenditures to a very large extent. Thus, aggregate capital outlays this year are expected to be only 2% below the 1957 level. As far as 1959 is concerned, a reasonable assumption would be that government spending on schools, hospitals, roads and other social assets will again fill a large part of the gap.

House Building at Peak Level

A record rate of residential construction has been an important prop to economic activity throughout 1958. It is estimated that new housing starts this year will total at least 155,000 units, which is considerably higher than in any previous year. Continuance of a high level of house building into 1959 seems assured, especially as house sales have been good. However, doubt exists as to whether the 1958 pace can be maintained and there are strong arguments against a further injection of government money into the mortgage market.

There are some aspects of the residential housing situation which give me some concern. One of these is the danger that the 1958 rate of starts may be considered a precedent for the future. If housing construction is to be stimulated by government action in years of slackening activity then the government and the housing industry must be prepared to allow residential construction to fall below the long-term trend rate in boom years. There is always the possibility that we will over-stimulate demand and create an over-built situation. If we attempt to use successively easier credit terms or other forms of subsidy to support some arbitrary rate of housing starts on a continuing basis then we may cause serious harm to economy through diversion of necessary capital funds from other worthy projects. Then, again, it should not be overlooked that inflated housing costs arise in part from easy mortgage credit.

Inventories are a form of capital investment and the liquidation of inventories in 1958 explains in part the downward trend in business investment. It also accounts for part of the fall in industrial production. Recently the rate of inventory reduction has slackened and in the year ahead production for inventory purposes may be expansionary rather than a recessionary force.

Borden Commission on Energy

In earlier postwar years one of the important factors in the capital investment program has been the development of our oil industry. More recently the pace of development has slowed down and expectations have been that this slackening in the oil sector would be offset by further expansion of the natural gas industry. Now, some doubts exist on this score. The Borden Commission on Energy in its preliminary report recommends broad regulation of the oil and gas industry and the very possibility of such regulation is bound to have a depressing effect on investment in the natural gas industry.

Few will disagree with the recommendation for a National Energy Board but there will be wide disagreement with the powers suggested for such a board. The report, if adopted, would subject the oil and gas industry to bureaucratic control — to greater regulation than exists for any other major industry.

The oil and gas industry involves considerable risks. Since 1946 companies and individuals have poured huge sums into development of the industry and this risk-taking has contributed materially to Canada's economic progress. If the regulations contemplated by the Borden Report had been in existence throughout this period then development of the industry would have been slowed down considerably.

The Government of Canada in considering implementation of the report should weigh carefully the implications of some of its recommendations. If risk-taking is discouraged both the industry and Canada as a whole will suffer. The report is a discouraging document for an industry that has been a pace-setter in Canada's postwar development. Canada is a free enterprise economy. Relaxation of controls following the war was a major factor in creating an economic climate favorable to expansion. To the extent that they contemplate tight control of an essential industry the recommendations are, in my opinion, a step backwards.

Unemployment Continues Worrisome

To summarize my comments about the outlook, I would say a modest upturn in economic activity is underway and expectations are that this trend will continue in 1959. However, a rapid acceleration in business activity does not appear to be in prospect and is not likely to develop until a strong revival of business abroad is reflected in an expansion of our export trade. This means that unemployment will continue to be a worrisome factor next year. It looks as if the seasonal peak, which usually occurs in March, will see about one in 10 workers unemployed as was the case in March, 1958. Furthermore, the same degreee of unemployment will undoubtedly bring somewhat more hardship than last winter since some of the unemployed will have exhausted their unemployment insurance benefits and personal savings.

Throughout the postwar period Canada has made remarkable progress in diversifying her production. More and more products formerly imported are being made in Canada but even so the expansion of our secondary industry is not as great as we would like to see. Perhaps attention should be given to developing positive incentives to speed up this process. Then, again, Canadians, individual and corporate, can assist by reviewing their buying policies and purchasing Canadian products wherever price and quality are competitive. Another avenue open to us is for industry to examine all items imported, including parts, to see if we cannot manufacture such items here.

The Inflation Danger

A year ago I spoke of the danger of creeping inflation and the need for maintaining a stable currency and I make no apology for reverting to it today.

It may seem paradoxical to talk about inflation when many industries are operating below capacity and we have a good deal of unemployment. Yet, deterioration in the purchasing power of the dollar has continued throughout 1958. Prices have continued to rise and a dollar will not buy as much today as it did a year ago.

Reconciliation of the objective of economic growth and maximum employment with that of stable money is, in my view, the No. 1 economic problem facing Canada today. Our economic well-being in the future depends on our finding a way to achieve both of these objectives at the same time.

Everyone will agree that we should endeavor to attain maximum utilization of our human and material resources—that so-called full employment should be an objective of economic policy. Few will quarrel about the desirability of reasonably stable purchasing power for our dollar. Its benefits are multitudinous.

Full employment is an objective we have pursued since the end of the war with a considerable degree of success. True, we fell somewhat short of this ideal in 1958 but on the whole we have done very well.

What About Stable Currency

But what about the other side of the coin — a stable currency. Here, we have fallen far short of success. Rather, the purchasing power of the dollar has fallen steadily and as I pointed out a moment ago this has been true even in the past 12 months.

One of the factors in this is that the instruments we have used to encourage production have been monetary and fiscal devices which have also contained the seeds of inflation. So engrossed have we been in achieving our full employment objective that we shut our eyes to the fact that what we were doing could not help resulting in debasement of our currency.

The question, of course, arises as to whether the objectives of full employment and a sound currency are compatible. Can we have a continuing high level of employment without inflation? Can we attain a sustained rate of growth for our economy without creeping inflation?

My own view is that we can.

Perhaps I should hasten to point out that I do not mean that we can expect maximum utilization of our resources at all times. There are hills and valleys on the road to economic progress.

In any case the time has come for Canadians to face squarely the question of whether or not they want a stable dollar and it is one that has to be faced not only by the government but also by Mr. and Mrs. Average Citizen. In the final analysis it will be the Average Citizen who will provide the answer. If he decides to vote in favor of a stable dollar he will have to recognize that there may be times when he will have to forego short-term economic gains for the long-term benefits of a currency which retains its purchasing power.

In my remarks so far I have implied that we have a choice. Taking the short-term viewpoint this may be the case but if one is looking at the long term welfare of the Canadian economy there is really no alternative to a policy directed toward maintaining a stable currency.

Creeping inflation will not assure us full employment or sustained economic growth. Recent experience is proof of this. Inflation begets booms and booms beget recessions.

Creeping vs. Galloping Inflation

Economic history is replete with examples of the evils and destructive powers of inflation. Canadians are inclined to feel that it cannot happen to them, but in this respect they may be overconfident. The only difference between creeping and galloping inflation is that with the former kind the crisis or day of reckoning is slower in developing. Those who favor creeping inflation assume that people's habits in handling money will not be greatly affected if its value is eroded away a little bit at a time. This view, it seems to me, underrates the intelligence of most Canadians. If people become convinced that depreciation of the currency is to continue indefinitely then we are in for real trouble. A general expectation of inflation can be a great accelerator of inflation.

The experience of the past year indicates that the fear of inflation is real. How else do you explain the inflated stock market prices and the decline in bond prices? Government bonds now yield a larger return than many common stocks and this is due, in part, at least, to the expectation of further inflation. In fact, the situation both in Canada and the United States, more particularly in the latter, has all the earmarks of a minor flight from the dollar.

Confidence in the value of the dollar is necessary if we are to have a sound bond market and the latter is essential to the implementation of monetary and fiscal policies. In the face of creeping inflation people will not continue to buy long-term bonds except at interest rates adequate to recoup them for the depreciation in currency. In other words, unless we take decisive action to halt inflation we may see interest rates considerably higher than those which now prevail.

Fanning the Inflationary Fire

Fiscal and monetary policy in Canada is the past year has had a strong inflationary bent. In fact, I venture to predict that the huge expansion in the money supply that has taken place has sown the seeds for more inflation in the future.

Not only have we had a large expansion of the money supply but also increased government spending and deficit financing. These also are inflationary instruments. The kindling for the inflationary fire has been laid and it will not take much of a breeze to make it burst into flame.

Canadian bank deposits rose by $1,250 million between April and October. This came about mainly through the purchase of government bonds by the banking system. Net new borrowings by the government during this period totalled $950 million, which means that $300 million were purchased by the banks from the public. This is another indication of a flight from fixed income securities. Deficit financing is inflationary at any time but doubly so when the funds are raised by way of sale of bonds to the banking system.

Decisive Action Is Needed

What are we going to do about this inflation problem?

A solution of the problem is going to require the co-operation of all segments of the community —governments, business, labor, agriculture and investors.

The first and foremost requirement is decisive action by the government to put a stop to the inflationary process and this entails a revision of monetary and fiscal policies. There is not much sense in appealing to business, labor and others to hold the line against inflation if the policies of the government are creating inflationary pressures which make holding the line difficult or impossible.

I fully appreciate that inflation has been popular in some sections of the community and governments must concern themselves with the political as well as the economic consequences of their actions. But the Canadian people need to be told what the stakes are — what the consequences of continued inflation will be.

Statesmanship rather than political action is needed. Given leadership I am sure that the Canadian people will choose the right road.

As I indicated, the co-operation of business and labor will be required. Business will have to exercise restraint in its pricing policies. It may have to seek ways and means of ironing out the peaks and valleys in business investment and endeavour to avoid excessive build-up of inventories.

Wage Demands Excessive

The wage-cost push is believed by many to be the most important factor in creeping inflation. Certainly, labor has made demands for excessive wage increases not justified by rises in productivity. Please note the word "excessive" for I am not against all wage increases. I firmly believe that pressure for higher wages and better working conditions has historically been a constructive force making for greater productive efficiency and I hope it will continue. However, labor now exercises great political power and it would be showing statesmanship which would rebound to its own benefit if it limited its wage demands to those justified by increased output per manhour. Depreciation in the purchasing power of the dollar has been an important contributing factor in the demands of labor. If the nation were to embark on a policy of stable money perhaps labor organizations would be willing to co-operate in developing a general wage policy which would help us to keep inflation in check and assure sound economic growth in the future.

The average citizen, as distinct from organized business and organized labor has a role to play. Public acceptance of policies designed to maintain the purchasing power of the dollar are essential to its attainment. Then, again, he can stop agitating for increased government spending for every project which is dear to his heart. The Federal Government is already faced with a substantial deficit but everyday new demands are urged upon it and the provinces and municipalities are seeking a larger share of the Federal tax pie. A balanced budget is desirable and can only come through higher taxation, which neither the government nor the public wants, or through economic growth and then only if the government has the ability and determination to avoid expenditure increases in the meantime.

Public understanding of the problems of full employment and inflation and monetary and fiscal policies is not as great as it should be. Not long ago we had a Royal Commission study the probable economic development of Canada over the next 25 years. Its sittings and report enlightened a great many Canadians. Perhaps another Royal Commission to study the problems of full employment and inflation and monetary and fiscal policies, including the taxation structure would help us to achieve the growth which the Royal Commission on Canada's Economic Prospects indicated might be within our grasp. Such a study, if undertaken, should be assigned to the best economic and financial brains in the country.

The International Scene

In closing let me turn briefly to the international scene. The past year has been a series of crises. Tension has prevailed in the Middle East. A state of political turmoil prevails in a number of countries and the surprising thing is that these crises have had little economic impact. Neither the present economic situation nor future prospects have been radically altered. Apparently people are becoming accustomed to crises and assume that no shooting war is likely to develop.

One important matter which stands out on the economic front is that the free world as going to be faced with increased competition from Russia. As yet Soviet trade with the West does not amount to very much but there are indications that exports from Russia may prove to be a disturbing factor in some of our markets abroad. Even more worrisome at the moment is the fact that Russia is challenging the virtual monopoly of Western nations on economic aid to under - developed countries. I need hardly tell you that this has broad economic and political implications.

As you probably know, I visited Russia early this year. In industrial plant and standard of living she is still far behind the Western World but she is making rapid progress, or I should say very rapid progress. I think we should recognize that Russian competition in world markets for raw materials and finished products will increase substantially in the not too distant future. This means we should be doing everything possible to improve our trade position and trade relationships and attempt to keep our prices on a competitive basis.

One of the encouraging features of the past year has been the additional steps taken to further economic cooperation between the Western nations. The mood of the Commonwealth economic conference in Montreal was expansionists. In order to deal with the problem of international liquidity and to provide capital to help underdeveloped countries to build production and living standards the annual meetings of the International Monetary Fund and the International Bank for Reconstruction and Development approved in principle a proposal to enlarge the resources of the two organizations. The proposal, if accepted by the participating nations should give an impetus to further expansion of world trade —a development which is essential to Canada's economic progress and to the security and welfare of free nations.

Nat'l Bank Supervisors Appoint Dist. Chmen.

William A. Burkett, President of the National Association of Supervisors of State Banks and Superintendent of Banks in California, has announced the appointment of District Chairmen for the 1958-59 year.

These Supervisors, together with a list of the States in their respective districts, are:

First District — Robert E. McDaniel, Superintendent of Banks, Ohio, Chairman (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Puerto Rico, Rhode Island, Vermont).

Second District—W. P. McMullan, Jr., State Comptroller, Mississippi, Chairman (Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia).

Third District — Gorden H. Maxam, Superintendent of Banks, South Dakota, Chairman (Arkansas, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, North Dakota, South Dakota, Wisconsin).

Fourth District — J. Floyd McLain, Director of Banking, Nebraska, Chairman (Colorado, Kansas, Montana, Nebraska, New Mexico, Oklahoma, Texas, Wyoming).

Fifth District — Joseph C. McMurray, Supervisor of Banking, Washington, Chairman (Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah, Washington).

During the year in which he serves, the Chairman of each District arranges a meeting of the State Bank Supervisors of his area.

All of these meetings are attended by the President of the National Association and the Executive Director.

Financial Leaders On Committee

A total of 70 leading members of the financial world is serving on the committee planning the dinner in honor of John H. Budinger, Vice-President, Bankers Trust Co.; James Coggeshall, President, First Boston Corp.; and Jacob C. Stone, senior partner, Asiel & Co., to be held Monday, Dec. 15 at the Waldorf-Astoria.

Eugene S. Hooper, President, Manufacturers Trust Co., is Chairman of the event sponsored by the National Conference of Christians and Jews.

Serving on the committee are Malon S. Andrus, R. Harold Bach, Harold L. Bache, John E. Barrett, Thomas W. Bartsch, Mrs. Charles Ulrick Bay Walter Benedick, Robert E. Broome, I. W. Burnham II, Benjamin J. Buttenwieser, Henry Ives Cobb, Jr., John A. Coleman, S. Sloan Colt, A. O. Dietz, Thomas F. Fagen.

Also Elliot D. Fox, J. George Frings, G. Keith Funston, Lloyd S. Gilmour, Lester Ginsburg, Joseph L. Gitterman, Jr., Horace W. Goldsmith, Semour Gottlieb, Monroe C. Gutman, Harold Helm, John C. Henderson, William T. Henderson, Philip Hettleman, Howard C. Hirsch, Leonard R. Hockstader, Ralph Hornblower, Jr.

Also Roscoe C. Ingalls, N. Baxter Jackson, Stephan A. Koshland, Harry B. Lake, Robert Lehman, George Leib, S. D. Leidesdorf, Jerome Lewine, John L. Loeb, Thomas P. Lynch, Edwin T. McCormick, T. Murray McDonnell, Lloyd W. Mason, Harold C. Mayer, Andre Meyer, Clarence G. Michalis, Harold S. Miner, Morris Newburger.

Also J. Wilson Newman, Maurice Newton, Herbert Osborne, Perry R. Pease, E. Norman Peterson, Bernard G. Politz, Clarence Politz, Jr., Bayard Pope, John Raiss, Charles Samson, Morris Schapiro, Robert Silver, Albert C. Simmonds, Jr., David L. Skinner, Milton Steinbach, Walter W. Stokes, Jr., Clarence E .Unterberg, John Wasserman and Paul S. Zuckerman.

Stern, Frank Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Gene E. Davis, Uew-Karsten Johannsen, Alfred P. Stern, and Maurice L. Weiss have been added to the staff of Stern, Frank, Meyer & Fox, 325 West Eighth Street, members of the New York and Pacific Coast Stock Exchanges.

Morgan Davis Partner

Morgan Davis & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, on Dec. 15 will admit Abel I. Smith, Jr. to limited partnership.

New Alkow Branch

HOLLYWOOD BEACH, Fla. — Alkow & Co., Inc., has opened a branch office in the Diplomat Hotel under the management of Jacob M. Alkow, President. Seymour J. Weisbach is Assistant Manager.

Metropolitan Investors

BROOKLYN, N. Y.—Metropolitan Investors has been formed with offices at 4401 Thirteenth Avenue. Joseph Glassman is a principal of the firm.

Willard E. Loeb

Willard E. Loeb, partner in L. F. Rothschild & Co., New York City, passed away Nov. 26 at the age of 62 following a brief illness.

Howell W. Murray

Howell W. Murray, Vice-President of A. G. Becker & Co. Incorporated, Chicago, passed away Nov. 27.

Continued from page 4

The State of Trade and Industry

are going so well that Detroit may have to maintain full production for some time to come.

Market improvement is prompting more steel buyers to place orders farther ahead. The mills are still getting plenty of rush orders, but they are becoming harder to fill. As a consequence, steel users are keeping closer tabs on their inventories.

The metalworking weekly noted that inventory rebuilding is not a strong factor in the market at present. "But it will become a major stimulus after the turn of the year," this trade weekly stated, adding that the volume of orders for January delivery is good.

"The lion's share of current market support is coming from users of cold-rolled sheets, galvanized sheets, terne plate (used in making auto gas tanks) and aluminum-coated sheets," "The Iron Age" added. "Demand for plate, structurals, oil well casing and tubing and linepipe has improved some, but not enough to be of much help to the market. These products are expected to pick up still further in the first half of 1959."

Despite growing market strength steel buyers are still in the driver's seat for the most part. The mills have plenty of capacity to handle even a major upturn in demand. Delivery promises would stretch out somewhat but there would be enough steel to go around, declares this trade weekly.

It further stated that if a supply pinch develops at all next year it will come in the second quarter. At that time, steel users will be building inventories as a hedge against a possible strike when steel labor contracts expire on June 30. For this reason, the mills figure that first half business probably will be the best of the year.

The book value of manufacturers' inventories at the end of October held steady with the previous month, after seasonal adjustments, following more than a year of steady decline, the United States Department of Commerce reported.

Manufacturers' sales and new orders jumped more than seasonally in the month, continuing the upward trend which started last spring, the agency noted.

Officials stated that they were not ready, on the basis of one month's figures—and those subject to revision, to claim that the fall in manufacturers' inventories that started in August, 1957, had come to a halt and that inventories would start turning upward.

At the end of October, the seasonally adjusted book value of manufacturers' inventories stood at $49,300,000,000, unchanged from the previous month. Durable goods makers' stocks continued to fall slightly by $100,000,000, to an adjusted $28,000,000,000 at the end of October. This was offset by an increase, to an adjusted $21,300,000,000, in stocks held by non-durable goods makers.

The end-of-October figure for total manufacturers' inventories was about $5,000,000,000 below the August, 1957, high, an adjusted $54,200,000,000.

Manufacturers' sales, also showing the effects of the continued business recovery, rose by $400,000,000 in October to an adjusted total of $27,200,000,000. Most of the gain was in the durable goods sector, which reported a rise of $300,000,000 to a $13,000,000,000 adjusted total. Non-durable goods industries' October sales rose by $100,000,000 to an adjusted total of $14,200,000,000.

The October sales gain, the department reported, stemmed mainly from a substantial rise in the rate of deliveries by auto producers, and a more moderate increase in shipments by primary metals companies.

In the automotive industry a 38% spurt in new car buying carried the industry's Nov. 11-20 sales to the highest point since late June, promising a new peak for 1958 before the year ends.

New car sales for Nov. 11-20 period soared to 16,190 units daily from 11,740 a day Nov. 1-10 as rising factory production opened the industry sales floodgates, "Ward's Automotive Reports" stated on Friday last.

Not since June 21-30 this year when 17,775 cars were sold daily, the present 1958 high, has such new car market activity been noted. The statistical service forecast 370,000-plus sales for entire November, fully 100,000 over October.

The Nov. 11-20 selling rate produced 145,700 sales, the Nov. 1-10 period some 94,000. Dealer new car inventories are rising and topped 460,000 on Nov. 20.

Commenting on production, "Ward's" pointed out that the Thanksgiving holiday, combined with Studebaker-Packard Corp. and International Harvester strikes, resulted in a 13% decline in passenger car assembly and a 23% drop in truck volume. Estimated last week were 120,733 cars and 19,246 trucks compared to the preceding week's counts of 138,727 and 24,838, which are the 1958 high points to date.

Final assembly lines were at a complete standstill throughout the industry Thursday, this trade magazine noted. With one exception, Ford Division's Atlanta, Ga. plant, all factories resumed activity on Friday last. Almost all units also were scheduling Saturday work. Studebaker-Packard remained idle most of the week by a strike that began on Monday of the past week.

Truck-making remained partially throttled by the International Harvester walkout which entered its third week last Thursday. Bargaining was recessed until Monday of this week.

"Ward's" noted that despite S-P's difficulties, now settled, the industry will turn out an estimated 500,000 new cars in November, top monthly figure of 1958 and best total since December, 1957 at 534,714 units. December programming will better this month's total as overtime operations continue on a wide-scale basis, "Ward's" declared. Truck output in November was placed by this authority at 93,000 units, highest volume since July, 1957 at 94,997 units. The statistical publication forecast December production at 100,000 trucks.

Steel Output Set This Week at 74.6% of Ingot Capacity

Look for surging activity in the steel industry next year to be above the level of the general economy, "Steel" magazine stated in its comments on the steel industry on Monday last.

Accumulation of steel inventories is gathering momentum, making for increased activity for the steel mills.

Today's level is about 13,750,000 tons and user stocks of almost all steel products are low. By the year-end, total steel inventories will be 14,000,000 tons, or 1,000,000 tons above the August low point, but 5,000,000 below the Dec. 31, 1957 level.

During the first half of 1959, "Steel" predicted consumers will add 5,000,000 tons to their inventories, 2,000,000 in the first quarter and 3,000,000 in the second.

In deciding how much to buy and how soon, consumers will be influenced by three considerations; that is the steel industry's increased capacity, estimated for 1959 at 146,000,000 tons; the possibility of a steel strike and their own business prospects. Although some consumers will not hedge as much in 1959 as in prior years, others expect no departure from tradition.

Steelmakers are extending delivery promises as major consumers come into the market for big tonnages. A month ago, it was five weeks for cold-rolled sheets, while today it is six or seven.

Last week, steelmaking operations slipped 1 point to 74% of capacity. Production was about 1,997,000 net tons of steel. District rates were as follows: Detroit at 100.5% of capacity, down 2.5 points; St. Louis at 93, down 5 points; Chicago at 85.5, up 0.5 point; Wheeling at 83, down 2 points; Cincinnati at 82.5, up 0.5 point; Western district at 79, up 1 point; Cleveland at 73, up 3 points; Eastern district at 71, no change; Buffalo at 68.5, down 9.5 points; Pittsburgh at 66.5, down 1 point; Birmingham at 60.5, up 2.5 points; and Youngstown at 59, down 2 points.

November's output hit 8,600,000 ingot tons or 200,000 less than the industry produced in October. Total for the 11 months is 76,500,000.

The metalworking weekly reported that world steel production totaled 216,500,000 net tons in the first nine months of 1958 as against 244,000,000 in the same period of 1957. Every major nation's output declined except Russia's which jumped from 41,600,000 tons last year to 45,000,000 in the 1958 period.

"Steel's" industrial production index is at a 15-month high and only 1 point shy of the August 1957 peak that preceded the recession. This does not mean that the economy as a whole has regained all its lost ground, but it does indicate that the uptrend has been solidly based and should continue well into 1959.

The publication's price composite on the prime grades of steelmaking scrap declined for the second week. It dropped 34 cents to $40.33 a gross ton. Mill buying interest is sagging as the holiday season and inventory-taking period approach.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *125.3% of steel capacity for the week beginning Dec. 1, 1958, equivalent to 2,013,000 tons of ingot and steel castings (based on averaged weekly production for 1947-49) as compared with an actual rate of *123.8% of capacity, and 1,988,000 tons a week ago.

Output for the week beginning Dec. 1, 1958 is equal to about 74.6% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 73.7% the week before.

For the like week a month ago the rate was *125.2% and production 2,011,000 tons. A year ago, the actual weekly production was placed at 1,831,000 tons or 114.0%.

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*Index of production is based on average weekly production for 1947-1949.

Electric Output Declined in Thanksgiving Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 29, 1958 was estimated at 12,274,000,000 kwh., according to the Edison Electric Institute. Output eased in Thanksgiving holiday week.

For the week ended Nov. 29, 1958 output decreased by 305,000,000 kwh. below that of the previous week but rose by 661,000,000 kwh. above that of the comparable 1957 week and by 189,000,000 kwh. above that of the week ended Dec. 1, 1956.

Car Loadings Declined 3.8% in the Week Ended Nov. 22

Loadings of revenue freight in the week ended Nov. 22, 1958 were 24,445 cars or 3.8% under the preceding week.

Loadings for the week ended Nov. 22, 1958 totaled 619,350 cars, a decrease of 13,413 cars, or 2.1% below the corresponding 1957 week, and a decrease of 31,270 cars, or 4.8% below the corresponding week in 1956.

Car Output Dipped 13% and Truck Assemblies 23% as a Result of Thanksgiving Holiday and Strikes at Studebaker-Packard and International Harvester

Passenger car production for the week ended Nov. 28, 1958, according to "Ward's Automotive Reports," decreased by 13% and truck assemblies by 23% due to Thanksgiving holiday and strikes at Studebaker-Packard Corp. and International Havester.

Last week's car output totaled 120,733 units and compared with 138,727 (revised) in the previous week. The past week's production total of cars and trucks amounted to 139,979 units, or a decrease of 23,586 units below that of the previous week's output, states "Ward's."

Last week's car output fell below that of the previous week by 17,994 units, while truck output decreased by 5,592 vehicles during the week. In the corresponding week last year 114,795 cars and 17,312 trucks were assembled.

Last week the agency reported there were 19,246 trucks made in the United States. This compared with 24,838 in the previous week and 17,312 a year ago.

Lumber Shipments Dropped 11.1% Below Output in the Week Ended Nov. 22, 1958

Lumber shipments of 472 reporting mills in the week ended Nov. 22, 1958 were 11.1% below production, according to the "National Lumber Trade Barometer." In the same period new orders were 10.8% below production. Unfilled orders amounted to 32% of stocks. Production was 2.0% above; shipments 1.3% below and new orders were 0.4% below the previous week and 11.5% above the like week in 1957.

Business Failures Continue Decline in Holiday Week

Commercial and industrial failures declined to 244 in the holiday week ended Nov. 27 from 260 in the preceding week, Dun & Bradstreet, Inc. reports. While fewer casualties occurred than in any week since early September, they remained slightly above the 235 in the similar week of last year. However, failures were lower than the 254 in 1956 and down 8% from the prewar level of 264 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more declined to 210 from 229 in the previous week but exceeded slightly the 203 in this size a year ago. Small casualties under $5,000 edged up to 34 from 31 last week and 32 in 1957. Liabilities in excess of $100,000 were incurred by 25 of the failing businesses as against 16 in the preceding week.

Trade and service accounted for the lower tolls in the week just ended. Retail casualties dipped to 111 from 122, wholesaling to 23 from 29 and commercial service to 21 from 22. In contrast, failures among manufacturers rose slightly to 50 from 48 and among construction contractors held steady at 39. More concerns succumbed than last year in all industry and trade groups except construction and retailing. The most noticeable upturn from 1957 occurred in the service lines.

In all except three of the nine major geographic regions, mild week-to-week decreases were reported. Failures in the Middle Atlantic States dipped to 86 from 89, in the Pacific States to 55 from 62 and in the East North Central States to 32 from 34. The only increases during the week occurred in the East South Central, West North Central and Mountain States. Trends from last year were mixed with five regions suffering higher totals, while four regions had fewer casualties. A marked rise from 1957 prevailed in the Middle Atlantic Region, whereas there was a sharp drop in the South Atlantic States.

Wholesale Food Price Index Rose Moderately the Past Week

There was a moderate increase last week in the wholesale food price index, compiled by Dun & Bradstreet, Inc. On Nov. 25 it stood at $6.43, up 0.8% from the $6.38 of the prior week, and 1.1% higher than the $6.36 of the comparable date a year ago.

Moving higher in wholesale cost were hams, bellies, sugar, eggs, steers and hogs. Lower in price were flour, wheat, corn, barley, beef, lard, cheese, coffee and cocoa.

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 Turned Fractionally Lower Last Week

There was a slight decline in the general commodity price level last week, with much of the dip due to lower prices in steel scrap, cotton, flour and butter. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., stood at 276.48 on Nov. 24, compared with 276.81 a week earlier and 276.64 on the comparable date last year.

Most grain prices were close to those of the prior week. Buying was discouraged by a United States Department of Agriculture report on grains and soybeans that had gone into the Government price support loan as of Oct. 31. Although the report showed record high impoundings of wheat, corn and soybeans, they were below expectations.

Light farm marketings and anticipation of increased export trade held wheat buying close to the prior week with prices steady. Corn prices advanced fractionally as supplies were reduced and receipts were light. Purchases of wheat slackened and prices fell somewhat from a week earlier. Strength in the meal market and dwindling supplies helped soybean prices remain at prior week levels.

Trading in flour was sluggish during the week and prices fell moderately at the end of the period. The call for rice was steady with prices unchanged. Purchases of coffee declined at the end of the week resulting in a moderate dip in prices.

There was a slight decline in cocoa prices as transactions fell below the preceding week. Despite a slight drop in supplies, sugar prices were steady during the week and trading unchanged.

The buying of hogs picked up substantially in Chicago last week and prices moved up appreciably. Hog receipts were down from the prior week, but slightly exceeded those of a year ago. There was a noticeable decrease in cattle receipts from a week earlier and prices climbed moderately. Cattle buying remained close to the previous week. Lamb prices slipped somewhat at the beginning of the week as turnover lagged.

The anticipation of a substantial gain in 1959 plantings discouraged cotton buying last week and prices on the New York Cotton Exchange fell below the prior period. For the week ended Nov. 25, cotton exports were estimated at 58,000 bales compared with 64,000 a week earlier and 175,000 in the comparable week last year. Total exports for the season through Nov. 18, came to 913,000 bales compared with 1,519,000 in the similar period a year ago.

Trade Volume Last Week Showed Moderate Increase Above Level of Previous Period

Numerous early Christmas sales promotions offset the effects of unseasonably warm weather in many areas the past week boosting total retail trade moderately over the prior week. Sales were close to those of a year ago. Year-to-year increases in women's apparel, furniture and gifts offset declines in men's clothing and appliances. There was a noticeable rise from a week earlier in sales of new passenger cars, but volume was still down moderately from last year, spot checks show.

The total dollar volume of retail trade in the period ended on Wednesday of the past week was from 1% below to 3% higher than a year ago, Dun & Bradstreet, Inc. reports. Regional estimates varied from the comparable 1957 levels by the following percentages: Pacific Coast States +2 to +6%; Mountain +1 to +5; Middle Atlantic, South Atlantic and West South Central 0 to +4; East South Central — to +3; West North Central —3 to +1; New England and East North Central States —4 to 0%.

Apparel stores reported appreciable gains from both the prior week and a year ago in sales of women's sportswear, dresses and fashion accessories. Volume in coats and suits showed a slight year-to-year gain. Although purchases of men's apparel were close to the prior week, they were down moderately from a year ago, especially in topcoats and suits. Best-sellers in furnishings were socks, hats and dress shirts. A slightly greater interest was noted in children's clothing than last year.

The buying of furniture was up moderately from the similar 1957 week, with principal gains in occasional items, bedroom sets and case goods. While volume in floor coverings and draperies climbed substantially over last year, interest in linens was unchanged. The call for television sets, vacuum cleaners and gas ranges moved up from the prior week, but over-all appliance volume was down somewhat from last year.

In preparation for Thanksgiving housewives stepped up their buying of canned goods, fresh produce, poultry and dairy products. Interest in frozen food, baked goods and fresh meat was sustained at a high level.

Most apparel wholesale centers reported a marked rise in orders for women's Spring suits last week. Volume in Spring dresses and coats moved up slightly. There was an appreciable gain in re-orders for winter coats, suits and skirts and trading approached that of a year ago. Interest in men's winter topcoats and suits equalled that of the prior week. Sales of furnishings, especially hats and socks, expanded moderately. A slight rise in the call for children's winter merchandise occurred with principal gains in boys' slacks and sports jackets.

Transactions in wide industrial fabrics and synthetic goods climbed noticeably the past week and sales exceeded those of a year ago. There was another gain in trading in cotton gray goods, especially print cloths and sateens. Although volume in woolens and worsteds was sluggish, interest in carpet wool picked up substantially. Mid-Atlantic dyers and finishers reported a slight rise in incoming orders, as volume matched that of the similar 1957 week.

Bookings in occasional tables and chairs, upholstered chairs and bedroom sets were sustained at prior week levels, with volume close to that of a year ago. There was a moderate increase in orders for television sets and radios from a week earlier, but the call for refrigerators and automatic laundry equipment held unchanged. Retailers stepped up their buying of gifts, housewares and glassware. Volume in draperies and floor coverings also heightened.

Food wholesalers reported a slight rise in orders for canned fish and vegetables and fresh produce during the week, while interest in frozen foods faltered. Volume in fresh meat, poultry and dairy products was maintained at the level of a week earlier.

Machine tool orders in October rose noticeably from September and were slightly higher than a year ago, the National Machine Tool Builders Association reports. Much of the rise was attributed to purchases by customers to beat price increases and November orders so far are lagging behind October.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 22, 1958 advanced 2% above the like period last year. In the preceding week, Nov. 15, 1958 an increase of 3% was reported. For the four weeks ended Nov. 22, 1958 a gain of 3% was registered. For the period Jan. 1, 1958 to Nov. 22, 1958 no change was recorded from that of the 1957 period.

Retail trade sales volume in New York City the past week was unchanged to 1% above the level of the like week a year ago, trade observers estimate.

Rainy weather on Friday adversely affected prospective sales at the night opening, which was changed to Friday, due to the Thanksgiving holiday.

According to the Federal Reserve Board's index, department store sales in New York City for the week ended Nov. 22, 1958 showed a decrease of 1% from that of the like period last year. In the preceding week, Nov. 15, 1958 a decrease of 2% was reported. For the four weeks ended Nov. 22, 1958 no change was noted. For the period Jan. 1, 1958 to Nov. 22, 1958 an increase of 2% was registered above that of the corresponding period in 1957.

$34 Billion Rise in GNP Forecast for 1959

Carrol M. Shanks, President of Prudential Insurance Co., reports that his economists, headed by Dr. McKinley, foresee a return to "capacity operation" by the end of 1959 amounting in Gross National Product terms to an increase of $34 billion, or a full year figure of almost $475 billion. The forecast terms the business dip of early 1958 an "inventory recession" and submits that not only will profits and wages rise but also unused resources in plant and labor will be steadily absorbed.

All major segments of the nation's economy "will be moving upward" during 1959, with consumer spending taking the lead in sending the total economy to a record high of nearly $475 billion.

Carrol M. Shanks Gordon W. McKinley

This is the prediction being made in the Prudential Insurance Co.'s "Economic Forecast for 1959," released this week by Carrol M. Shanks, President.

After noting that "the recession of 1958 is over," the report foresees an increase of $16 billion in the public's purchases of automobiles, household appliances, food and other goods and services. This sharp rise will bring consumer expenditures to a record $307 billion.

The forecast, which is prepared annually by Dr. Gordon W. McKinley and his staff of Prudential economists, also predicts a substantial increase in employment, a rise in wages, and an improvement in corporate profits.

The Prudential economists anticipate a high rate of production during the year, contending that a reversal in inventory policy from "liquidation in early 1958 to accumulation in 1959" will in itself account for an additional $7.5 billion in output.

Business, they believe, will up its plant and equipment expenditures by $2 billion.

The Prudential economists also believe that Federal Government expenditures will rise by $3.5 billion and that state and local governments will up their spending by $4 billion during 1959.

Private housing starts will total close to 1,150,000 units, as opposed to about 1,095,000 for 1958, accounting for an outlay of $1 billion over the previous year.

Predicting a return to "capacity operation" by the end of 1959, the Prudential forecast says, "Gross National Product (the value of all goods and services produced in the United States) is likely to rise by about $34 billion, to produce a figure for the full year of almost $475 billion."

"Employment will increase by about 1,600,000, which will be sufficient to absorb the expected growth of the labor force and to reduce unemployment to a normal level by the second half of the year," says the report.

The temporary excess in the labor force, together with increased productivity per manhour and an excess in plant capacity, will exercise a restraining influence on prices during the first half of the year.

But the report warns that "as the economy moves toward capacity operation the threat of inflation will reappear."

The '58 Recession

In reviewing the recent recession, the economists contend, "Although all recessions involve inventory adjustments, the business dip which occurred in early 1958 was more clearly an 'inventory recession' than either of the two previous postwar business adjustments.

"The net reduction of $12 billion in the rate of inventory purchases during the declining stage of the 1958 adjustment was more than double the fall experienced in 1953-54."

However the forecast notes that "The recovery from the recession has been just as dramatic as the previous decline."

"By the third quarter of the year, production was back close to the 1957 peak, and now that inventories are being brought into line in the closing quarter, output is surging ahead into new high ground. . . . With sales continuing to rise and confidence restored, businessmen will move more wholeheartedly to the task of broadening stocks on hand."

W. H. Newbold's Son To Admit H. R. Neilson

PHILADELPHIA, Pa. — W. H. Newbold's Son & Co., 1517 Locust Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, on Jan. 1 will admit Harry R. Neilson, Jr. to partnership.

Now Corporation

B. Ray Robbins Co., 500 Fifth Avenue, New York City, is now doing business as a corporation, B. Ray Robbins Co., Inc. Maurice Robbins, formerly proprietor, is President and Treasurer of the new corporation. Elayne Wadman is Vice-President; and B. Robbins, Secretary.

With F. I. du Pont

BROOKLYN, N. Y. — Abraham Deutsch has become associated with Francis I. du Pont & Co., 26 Court Street, as a registered representative and co-manager of the Brooklyn office.

Cyril E. Cunningham

Cyril E. Cunningham, New York City, member of the New York Stock Exchange, passed away suddenly Nov. 26 at the age of 62.

Joseph D. Goodman

Joseph D. Goodman, senior partner in Joseph D. Goodman & Co., New York City, passed away Nov. 22.

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Competitiveness of Oil Shale With Crude Petroleum

from the previous discussion that shale oil will inevitably become increasingly cheaper to produce than domestic crude petroleum, due to the inescapably higher costs of finding and producing domestic crude. The improvements which will still logically occur in shale technology will serve only to hasten the rate at which this occurs.

Future U. S. Production vs. Demand

It remains to examine the future prospects for U. S. petroleum crude production in relation to demand. It is expected that domestic production will increase from its present level of 7-8 million barrels per day, to a maximum (including natural gas liquids) of approximately 10 million barrels per day in the period around 1970, followed by a decline thereafter. Imports, which now represent approximately one million barrels/day (or 12% of total demand), are expected to rise to 3 million barrels/day (25% of total demand) by 1965.

The trend of the future U. S. demand-production picture suggests that a shale industry as large as 1 million barrels/day in the period from 1970 on would be quite reasonable, and that an industry of such size would still furnish only 1/3 or less of the deficit between U. S. demand and U. S. domestic crude oil production.

The figure of 1 million barrels/day ultimate shale oil production has been selected as being consistent with water availability in western Colorado, and with time requirements for creation of an industry of this size. It is possible that alternate "synthetic fuel" sources will also be available to aid in supplying the deficit by 1970. The most likely of these is the Alberta tar sands, since it is doubtful, in the light of the current status of technology, that synthetic fuels based on coal will be low enough in cost to be competitive.

It is quite possible that improved technology in the extraction of oil from tar sands will make this raw material also a future source of "synthetic" fuel. In many ways the tar sands and oil shale have similar problems in development. The necessity for cheap extraction techniques, process difficulties associated with their respective locations, and great distances from eventual market are common to each substance, although the nature of these problems is peculiar to each resource.

As a result of these problems it appears quite improbable at present that the tar sands of Northern Alberta can hope to be much more than evenly competitive with oil shale. At best, each can hope to obtain its respective share of the future domestic market. The total gap in anticipated demand by 1970 to be filled by imports and shale oil (or tar sands), is some 5.5 million barrels per day. In such a large market there is certainly room for both oil shale and tar sands to supply even as much as one million barrels per day each.

Conclusion Five: We conclude from the foregoing that anticipated U. S. demand for added fuels will be sufficiently large to provide an adequate market for a million barrel/day oil shale industry by 1970. Tar sands, if competitive by this time, can also hope to secure an adequate share of this total market without particularly disturbing oil shale's growth.

Future Foreign Crude Situation

Imports, of course, could supply the entire deficit between domestic crude production and demand in 1970. Thus, the only significant competition for shale oil in the future is foreign oil.

The future price for imported crude is, of course, indeterminate. As a general yardstick foreign oil has been selling at average prices approximately $0.70/barrel under comparable domestic crude prices. The price differential is naturally an artificial one, and could be changed at any time.

The trend in foreign crude prices would appear to be upward. This is particularly true if one considers recent tendencies to increase the usual 50-50 split in revenues between the foreign ownership and the producing companies, to 75-25 in favor of the governments involved.

Capital investments made by U. S. and British companies in Middle East oil can be returned completely in one to two years, because of the high production rates per well drilled. By contrast oil shale requires an eight-to-ten-year payout period. Foreign oil is therefore a "slot machine" against which it is practically impossible for an "honest man" (either domestic crude or oil shale) to compete. It would appear, however, from the previous discussion that cheaper oil shale will have a better future chance in this respect than domestic petroleum.

The goal, of course, is to sufficiently improve shale technology so that shale oil can be supplied to the West Coast as cheaply as foreign crude. There is some reason, even today, to believe that this goal can be attained in the near future. Limitations of imports, as has been suggested, to say 1/6 of domestic production would further aid shale oil's cause.

Conclusion Six: There are a number of reasons to believe that imports will not be allowed to supply the entire growing deficit between domestic crude production and demand in the future, and thus "squeeze out" an oil shale industry. These are:

(1) It is doubtful that U. S. defense policy will ever permit so great a dependence upon foreign crude.

(2) Further nationalization of Middle East and other foreign crude reserves will keep foreign crude prices high.

(3) Demand for crude in the remainder of the free world, as shown in Table I, is increasing at a much greater rate than demand in the U. S., thus providing greater markets for foreign crude outside the U. S., at continued high prices.

Overall Conclusion

The six specific conclusions previously presented have each been favorable to an oil shale industry. The over-all conclusion is therefore obvious. Oil shale technology has now advanced sufficiently to yield shale oil at costs which are at present competitive with posted crude petroleum prices at a reasonable rate of return on the investment. Further advances in shale technology will improve this competitive position as research proceeds. **A shale oil industry is, therefore, on its way.**

Recent Advances in Shale Technology

I should like now to turn briefly to those recent advances in shale technology which have occurred in the two years since the First Energy Resources Conference, and also to look, however uncertainly, into the crystal ball of oil shale's future technology.

Three shale processes are at present known to be of interest in the United States. These are: The Union Oil Company's vertical-retort, rock-pump process; the gas - combustion process of the U. S. Bureau of Mines; and the Aspeco rotating-kiln, heated-balls process of The Oil Shale Corporation under investigation at the Denver Research Institute, University of Denver. Several others under apparent less-intensive investigation will be mentioned later.

The Union Oil process has been developed on the largest scale to date. A large pilot plant and associated mine has been operating in western Colorado near Grand Valley since March, 1957. Dr. Fred Hartley, vice - president of the company, stated in Salt Lake City last month that the vertical upward - flow retort utilized in these studies had attained capacities of "up to 1,200 tons of rock per day . . . on fully automatic control for continuous periods of up to six weeks." Further, that "a single retort (of this same design) with a capacity of 3,000 tons/day is a reasonable extrapolation" for a commercial plant.

Union somewhat confused all proponents of oil shale when it closed down its experimental pilot plant and mine in July of this year. Its reasons for so doing were stated to be that (1) it had obtained all necessary technical data, without further prolonging the costly operations involved; and (2) the present world-wide oversupply of crude and resulting unstable domestic crude price picture necessarily postponed the day when oil shale could enter the market.

The second principal U. S. process is the gas-combustion process developed by the U. S. Bureau of Mines. This is also a vertical retort, but with downward flow of the raw shale. At the time that the Rifle, Colo. operations of the Bureau were discontinued in 1955 this retort had been operated at a 200-ton-per-day capacity intermittently over a 9-month period, and with sustained operation of 2 months.

The firm of Cameron and Jones, Denver, Colo., has since constructed a modified and improved form of this retort, of 13 tons/day capacity, near Sao Paulo, Brazil, for use on the Paraiba Valley shales of Brazil. It is stated that this retort has met all design specifications to date, in extended runs of over 1,000 hours. A large-scale prototype unit using this modified gas combustion process is now under construction in Brazil.

The most recent new shale process is the modified Aspeco process of The Oil Shale Corporation, under investigation here at the University of Denver. This process differs from the two previously mentioned in that it employs a rotating kiln to which heated thermospheres and crushed shale are fed. The resulting shale coke is burned separately in a fluidized bed to reheat the thermospheres. In both the Union and Bureau processes the combustion zone furnishing heat for the process is located in the same vessel as the retorting zone.

The Aspeco process has been operated as a 24 ton/day pilot plant here in Denver for a period of nearly one year. This pilot plant is now being modified to provide improved operation and will be placed on-stream again in the near future. We at Denver Research Institute are confident that this process offers several unique advantages not present in either of the previous processes. Because of patents at present under application it is not possible to discuss these in detail at the moment.

The patent literature of the past several years indicates activity by other companies in oil shale retorting — The Texas Company, Standard Oil of California, Sinclair, Atlantic Refining, to name only a few. The more important of these patents, along with the over-all status of oil shale technology in all its aspects, are discussed each year in the September issue of "Industrial and Engineering Chemistry," as part of the annual research review on this subject prepared by your speaker.

I should like to direct your attention to one of these processes, that of underground or "in situ" retorting, as disclosed by Sinclair Oil and Gas Company as U. S. Patent 2,780,449 in 1957. This process was studied at Sinclair's oil shale property on Haystack Mountain in western Colorado several years ago.

A gas is introduced into an input well under pressure to produce parting of the oil shale and increase permeability. A hot zone is then established by injecting fuel gas and air. The hot zone so produced underground is moved toward an output well some 300 feet away, distilling the shale oil vapors before it. The resulting shale oil is withdrawn from the output well.

To date it would appear that the Sinclair underground retorting process will still require considerable further investigation before any evaluation of its future potential can be made. It is interesting to note in this connection, however, that Project Plowshare at Livermore, California, which is devoted to a study of underground hydrogen bomb explosions, is known to have speculated on the possible applications of nuclear explosions to oil shale technology. Much research is still necessary on "clean explosions" of greatly reduced radioactive yield before this nuclear explosive technique can be pursued further for oil shale, either underground or even as a means of removing surface overburden.

I do not wish to appear pessimistic but it would appear at present that practical, economical recovery of shale oil must continue, for the foreseeable future, to depend on mining, and then retorting the shale above ground. This appears particularly true when one considers the new economies being effected in both mining and above-ground retorting.

The use of amonium nitrate as an explosive and rotary drilling to replace percussion drilling are reducing mining costs considerably below 50c/ton. Similarly, retorting costs have been decreased to where 50c/barrel now appears to be attainable. These economies argue well for a commercial oil shale industry based upon above-ground retorting in the near future.

One further new development in oil shale technology deserves mention. I refer to the hydrogasification process announced last month by the Institute of Gas Technology. In this process the organic matter in the shale is converted to a fuel gas by reaction with hydrogen at 1,200-5,700 lbs/square inch pressure and 1,300° F. From the preliminary economic data presented it would appear, however, that this process must await considerably higher natural gas prices than those anticipated in the reasonable future, before becoming commercially feasible. The organic matter in oil shale is worth twice as much per pound, at today's prices, in the form of liquid shale oil than it is as a fuel gas.

Shale Oil Process Economics

I have deliberately avoided, so far, the no-man's land of oil shale process economics. I do not propose to enter this controversial area now, simply because, unless one is crystal clear as to the basis of estimates presented, the methods of calculation, the assumptions as to depreciation, interest on capital, profit, royalties, etc., employed it is almost impossible to fairly and accurately compare the economics of the various processes now under development.

What I should like to do, however, is to present briefly "order-of-magnitude" figures to point up the economic problems facing development of a competitive oil shale process. These figures are **not to be construed** as applicable to any one of the 3 major processes previously mentioned, although, in one sense, they are common to all of them. It is known that some processes have succeeded in improving certain categories of these costs.

It would appear that it costs somewhere between $1.40 and $1.65 per barrel to mine, crush, and retort 25 gallon/ton oil shale to shale oil at the present time. This might be thought of as the price at the "well-head," except that the resulting shale oil, as usually obtained, is not pumpable. A coking or visbreaking step is therefore usually necessary. This will add approximately $0.35/bbl., so the cost range now becomes $1.75 to $2.00 per bbl. as the oil enters the pipeline in Colorado. If $0.50/bl. is a reasonable pipeline tariff the cost of oil laid down in California becomes $2.25 to $2.50 per barrel.

Of the $1.40 to $1.65 required to mine, crush, and retort the shale approximately $0.90/bbl. is required for mining and crushing alone. The balance of $0.50 to $0.70 per barrel is required for retorting. Of course, if we could produce a pipeline crude directly from the retort we could save most of the $4.35/bbl. required for upgrading the shale oil. This would therefore appear to be a most fruitful area for research.

Fundamental Oil Shale Research

In order to scientifically improve oil shale processing techniques substantially from this point on, however, we desperately need more basic, fundamental research on the chemical nature of the organic matter therein, (the so-called "kerogen") from which the shale oil is derived. We need to know more about the chemical mechanism of its decomposition, and of the role of the nitrogen and sulfur compounds present. Do you realize that we do not even know, as yet, what the chemical structure of oil shale organic matter is?

Such fundamental research is slow in yielding results, so it must be started years ahead of its expected application to improved processing techniques. Realizing this the Denver Research Institute is attempting to organize an Oil Shale Foundation, which is to be a 3 year cooperative program of intense basic research into the nature of oil shale. It is asking interested petroleum and chemical companies to contribute, on an equal share, non-profit basis, to initiate this basic research now, in order that oil shale technology may benefit from its findings 3 to 5 years hence. We invite inquiries from companies interested in oil shale's future.

I might mention, in this connection, that I am quite impressed by the increasing volume of fundamental research papers on shale reported from Russia in the last few years. The Russians have obviously recognized the long-term need for basic research in the development of their own oil shales. By contrast, little fundamental shale research is being supported in the U. S.

Summation

It is time to close this "tour de force" in support of oil shale's present status and tremendous future. I have tried, throughout the discussion, to detour around the obvious arguments as to oil shale's key role in the defense of our country. Rather, the thesis has been that oil shale must stand upon its own competitive position in the market place, and that it is rapidly attaining a position to do just that.

An eloquent plea can, of course, be made for our need to develop a workable oil shale industry for **defense** purposes. Perhaps these defense arguments can be summarized best by the following simple facts: In 1938 the U. S. had 59% of the free world's petroleum reserves, excluding oil shale. Today it has only 17%. In 1938 the Middle East had only 14% of these free world reserves. Today it has 71%. These trends are expected to continue.

But in the commercially mineable strata alone of the western U. S. oil shale deposits there is an untapped reserve of oil, deep within the continental United States, that is equal in size to those Middle East reserves. An oil shale industry capable of using these oil shale reserves can do much in the near future to alter and strengthen our foreign policy with respect to the Middle East.

The next few years will be exciting ones for oil shale. It is always challenging to be part of the creation of an entirely new industry, with all that such an industry means in new jobs for our burgeoning population, further industrialization of the Rocky Mountain region, and utilization of an untapped national resource. I hope that some small degree of that challenge has been communicated by this survey of oil shale's present status and its promise for tomorrow.

The 1959 Construction Outlook

Johns-Manville executive predicts 1959 housing will be close to 1,200,000 compared to 1,160,000 in 1958, and that total 1959 construction will most likely exceed $70 billion for record high. Mr. Wilkinson believes industrial construction is not yet out of the woods but details other principal type of construction reaching new levels.

An industry study made public indicates that construction in the United States in 1959 will probably pass the $70 billion level for the first time in history.

New construction alone will almost certainly exceed $50 billion and could possibly reach $52 billion, according to W. R. Wilkinson, Vice-President of Johns-Manville Corporation, manufacturer of building materials and industrial products.

Current estimates indicate an additional $20 billion will be spent in 1959 on modernization, remodeling, maintenance and repair of existing structures, Mr. Wilkinson said. Mr. Wilkinson maintains continuing contacts with architects, industrial construction engineers and building materials dealers all over the United States.

The final figures, he said, will depend somewhat on the ease of getting mortgage money. His view is that as long as our present economic recovery continues at its not-too-rapid pace, and does not compel the Federal Reserve to step hard on the money brakes to retard inflation, sufficient funds should be forthcoming to assure a $70 billion year, or better.

The quick response of housing to the easing of mortgage rates earlier this year, the continued low vacancy rate, increasing numbers in the marriage-age population after a 10-year decline, and a continually increasing volume of demolition of old structures as a result of the stepped-up national highway program, have now combined to create an annual need in excess of 1,200,000 new dwellings, he said.

The construction industry proved to be a tower of strength in a year of business adversity and without question was the biggest single prop that shored up the national economy in the recession year of 1958, Mr. Wilkinson said.

New construction of all types put in place in 1958 totaled $49.25 billion exceeding the $48.5 billion erected in 1957 by about 1.5%.

In spite of the recession, almost 19,000 more new dwellings were built in 1958 than in 1957. After a low first quarter in 1958, construction volume rapidly recovered and in September and October new homes were being started at an annual rate close to 1,300,000 a year. Total new starts for 1958 actually will be close to 1,160,000 when final figures are tabulated, compared with 1,041,000 started in 1957.

Three big sectors of the construction industry — residential, highway and utility — will account for about 62% of all new construction expenditures in 1959, present studies reveal. Only two categories — commercial building and industrial construction — appear likely to show a decrease in 1959. Almost all other types of construction indicate substantial gains with increases ranging as high as 17.2%, much more than offsetting the lagging sectors.

1,200,000 Homes in 1959

Information compiled by Johns-Manville to date indicates that the number of new homes to be built in 1959 will come fairly close to 1,200,000, compared with about 1,160,000 in 1958, up about 40,000 new homes.

Single-family houses, which accounted for 80% of the new construction in the residential category during 1958 will register a somewhat smaller percentage in 1959 but will be more than offset by an anticipated large increase in multi-family dwelling due to continuing strength in this type of construction. New apartment houses in 1959 may reach 190,000 or even touch the 200,000 mark the way demands are now shaping up.

About $19.4 billion will be spent for new homes in 1959. Included in this amount is about $800,000,000 of public money that will go for government housing, largely military.

Highway Construction

Highway construction has become an enormous business. Early estimates for 1959 show that $6.8 billion will be spent for new roads. This is an increase of about 17.2% over 1958, and 4½ times the annual amount spent on highway construction as recently as 1947.

"We are in an era in which the building of great super-highways from coast-to-coast and from Canada to Mexico is comparable to the railroad building period in the 19th Century," Mr. Wilkinson said. "All signs now indicate that highway construction will continue to expand until it reaches an annual volume of $11 or $12 billion by 1965.

"Each year from now on," he said, "new highways will generate an immense amount of secondary business. This is being brought about by demolitions near the new highways and replacement of a large volume of residential and commercial construction, as well as creation of entirely new business and residential projects."

Utility and Other Construction

Utility construction in 1959 may exceed the $6 billion mark it reached in 1958, according to preliminary reports assembled by Johns-Manville.

Public and private educational construction, with schools bursting at the seams with increasing floods of new school children, is expected to reach 3.7 billion in 1959, up 7.2% from 1958 and 10½ times the dollar volume of 1947. This class of construction still has great growth ahead, Mr. Wilkinson said.

Commercial construction will reach $3.45 billion in 1959, off 1.4% from 1958 when it reached about $3.5 billion. Effects of the recession and excessive building of shopping centers in some areas are still being felt in this category. Construction rate of new office buildings, however, is expected to stay at the 1958 level.

Pessimistic About Industry Construction

Industrial construction, hit hard by the recent recession is not yet out of the woods. The total volume in 1958 will come to some $2.85 billion. A further decline of about 14% to $2.45 billion in 1959 seems probable, according to Mr. Wilkinson.

Conservation type construction such as flood control dams, public parks, reforestation facilities and the like, together with some other classes in the public service sector, should reach about $1.7 billion in 1959, compared with $1.6 billion in 1958.

Sewer and water construction should show about a 14% increase in 1959 to reach $1.6 billion, compared with only $1.4 billion in 1958.

Religious, social and recreational-type building for 1959 is estimated at $1.3 billion, up 1.9% from the 1958 figures of $1.275 billion.

Construction of military facilities is expected to jump 8.7% over the $1.15 billion of 1958 to reach $1.25 billion in 1959.

Another category expected to register a gain is in hospital and institutional construction, which will rise from $1 billion in 1958 to $1.05 billion in 1959, up 5%.

The preliminary balance sheet for new construction of all types, put together by Johns-Manville at year-end, shows a grand total of around $49,250,000,000 for 1958 compared with about $52,075,000,000 expected in 1959. This forecasts a 5.7% total increase in new construction of all types in the year ahead.

The additional $20 billion of modernization, remodeling, maintenance and repair of existing structures, which seems fairly well assured, Mr. Wilkinson said, will push the grand total of all types of 1959 construction to well over the $70 billion mark.

With Russell Le Vesque

(Special to The Financial Chronicle)

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

Joins Pollock Staff

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — J. Robert Hall has joined the staff of Wm. E. Pollock & Co., Inc., 9643 Santa Monica Boulevard.

Two With Toboco

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Morton Kandell and Robert H. Left are now affiliated with Toboco & Co., Inc., 9235 Wilshire Boulevard, members of the Pacific Coast Stock Exchange.

Bingham, Walter Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Allan W. Hanlon has become connected with Bingham, Walter & Hurry, Inc., 621 South Spring Street, members of the Pacific Coast Stock Exchange.

Joins Evans MacCormack

(Special to The Financial Chronicle)

BAKERSFIELD, Calif. — Donald M. Worsley has been added to the staff of Evans MacCormack & Co., 1675 Chester Avenue.

Securities Salesman's Corner

By JOHN DUTTON

What Your Customers Should Know

The evidence is clear that public psychology as it pertains to current thinking regarding investments is rapidly approaching the stage where many people are more concerned with obtaining a winner in the market than they are in following time-tested principles of investment. This may explain, for example, the current popularity of investment advisory services, especially those which offer the so-called capital gains situations that will outpace the rest of the market. Then, too, the tension packed atmosphere of the board rooms is spreading outward to the business office and among professional men. An article will appear in a financial magazine one day that is favorable to some company and its shares will be eagerly bought the next. It is becoming more evident that the general public is reaching that stage of thinking which disregards such fundamentals as income production and capital preservation and is more concerned with outguessing the other fellow by trying to select a stock today that many other people will be willing to buy tomorrow at a substantially higher price.

Sound Values Plus Patience

I suppose what most people desire more than all else when they have a broker is practical guidance. Many people have a certain urge to get into a market that is boiling with activity and even to take a flyer once in a while. That is certainly not anything to be decried *per se*. But the best method of approaching the two objectives that all investors should always recognize, namely, capital conservation and income production, is to follow a plan and a program that is personal and patterned so as to fit their particular situation.

If you have some women clients who are dependent upon their income from securities for an important part of their living expenses, certainly they should have a portfolio of high quality stocks and bonds that are selected for this purpose. Any inclination on the part of such an investor to disturb a good program by trading in highly volatile market leaders should be resisted. When you hear the familiar, "What's the matter with my XYZ common, why isn't it moving?" and if XYZ common is a high-grade dividend payer that is there for the purpose of stability and income production then explain this fact again to your customer. There is a very important difference between holding the right securities over the longer term, through both bear markets and bull markets, than there is in trying to pick the right stock for a 10- or 20-point move in a boiling bull market. A good broker can provide the guidance that can assist an investor in protecting and even increasing capital over the longer term but anything beyond that lies in the realm of chance with all the attendant risk involved.

Resist the Tendency to Try to Outguess the Market

There are trading accounts that at times ask for an opinion on the course of the market or a particular stock and there are people who are inclined to speculate and who know what they are doing, or at least think that they do. Certainly they, too, deserve the type of service that is needed by them to operate as efficiently as possible. By all means try and supply the quotations, the facts, and the opinions which they seek. But when it comes to your investment accounts, and you notice a tendency to stray away from their program and to seek out tips and join the parade, then it is just good business for them, and for you, to have a talk with them. Make it plain that the best course is to follow their program of sound investment and not to start trading in a market that is difficult enough for the professionals.

Those of us that have successfully acquired stocks in companies that have grown in value over the years have discovered that you often make more money by sitting than you do by changing. From your client's viewpoint, however, it is only natural for him to become restless with a stock he has held for several years and that has not increased comparatively in market price along with many other stocks that skyrocket to headlines on the financial page. But somettimes real growth is not so apparent and a stock will be neglected, yet if you do know that developments are such that sooner or later a higher market appraisal should be established, certainly your client should know the facts.

Your customer should be kept posted on developments concerning the growth stocks in his portfolio. He should understand that his financial welfare depends upon the over-all stability of his investments over the longer term and that is the only worthwhile goal. Certainly, financial health can only be achieved with a program that is soundly conceived and it should not be disrupted in order to try to make temporary market profits which is another type of game entirely.

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)	Dec. 7	§74.6	*73.7	74.5	71.5
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 7	§2,013,000	*1,988,000	2,011,000	1,831,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 21	6,974,835	6,967,885	6,918,635	6,832,535
Crude runs to stills—daily average (bbls.)	Nov. 21	¶7,880,000	7,755,000	7,753,000	7,699,000
Gasoline output (bbls.)	Nov. 21	27,861,000	28,095,000	27,546,000	26,715,000
Kerosene output (bbls.)	Nov. 21	2,474,000	2,393,000	2,523,000	2,061,000
Distillate fuel oil output (bbls.)	Nov. 21	12,695,000	12,798,000	12,071,000	12,138,000
Residual fuel oil output (bbls.)	Nov. 21	6,366,000	6,744,000	7,227,000	7,107,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 21	169,922,000	169,309,000	168,350,000	183,390,000
Kerosene (bbls.) at	Nov. 21	32,155,000	32,220,000	31,883,000	32,942,000
Distillate fuel oil (bbls.) at	Nov. 21	162,415,000	164,330,000	163,916,000	169,877,000
Residual fuel oil (bbls.) at	Nov. 21	66,619,000	67,251,000	67,854,000	59,286,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 22	619,350	643,795	674,264	632,763
Revenue freight received from connections (no. of cars)	Nov. 22	550,374	554,425	568,741	573,999
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 27	$273,014,000	$243,008,000	$272,924,000	$378,727,000
Private construction	Nov. 27	113,064,000	119,612,000	105,881,000	169,814,000
Public construction	Nov. 27	159,950,000	123,396,000	167,043,000	208,913,000
State and municipal	Nov. 27	143,894,000	108,890,000	146,820,000	191,389,000
Federal	Nov. 27	16,056,000	14,506,000	20,223,000	17,524,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 22	8,745,000	*8,510,000	8,460,000	9,593,000
Pennsylvania anthracite (tons)	Nov. 22	384,000	405,000	414,000	487,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 22	169	157	140	166
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 29	12,274,000	12,579,000	12,330,000	11,613,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 27	244	260	299	235
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 25	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Nov. 25	$66.41	$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Nov. 25	$40.50	$41.17	$42.50	$32.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 26	28.625c	28.650c	28.775c	26.325c
Export refinery at	Nov. 26	27.175c	29.300c	29.475c	22.575c
Lead (New York) at	Nov. 26	13.000c	13.000c	13.000c	13.500c
Lead (St. Louis) at	Nov. 26	12.800c	12.800c	12.800c	13.300c
‡Zinc (delivered) at	Nov. 26	12.000c	12.000c	11.500c	10.500c
Zinc (East St. Louis) at	Nov. 26	11.500c	11.500c	11.000c	10.000c
Aluminum (primary pig. 99%) at	Nov. 26	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Nov. 26	99.500c	99.500c	97.125c	87.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 2	89.27	89.23	87.71	92.50
Average corporate	Dec. 2	90.48	90.48	89.92	89.51
Aaa	Dec. 2	95.01	95.01	94.26	96.23
Aa	Dec. 2	93.23	93.23	92.93	92.35
A	Dec. 2	90.06	90.06	89.64	89.09
Baa	Dec. 2	84.04	84.17	83.53	81.17
Railroad Group	Dec. 2	88.13	88.13	87.86	86.78
Public Utilities Group	Dec. 2	90.63	90.63	89.64	89.37
Industrials Group	Dec. 2	92.79	92.79	92.35	92.50
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 2	3.58	3.51	3.64	3.14
Average corporate	Dec. 2	4.38	4.38	4.42	4.45
Aaa	Dec. 2	4.07	4.07	4.12	3.99
Aa	Dec. 2	4.19	4.19	4.21	4.25
A	Dec. 2	4.41	4.41	4.44	4.48
Baa	Dec. 2	4.86	4.85	4.90	5.09
Railroad Group	Dec. 2	4.55	4.55	4.57	4.65
Public Utilities Group	Dec. 2	4.37	4.37	4.44	4.46
Industrials Group	Dec. 2	4.22	4.22	4.25	4.24
MOODY'S COMMODITY INDEX	Dec. 2	393.1	395.3	392.4	387.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 22	272,186	284,288	291,364	250,778
Production (tons)	Nov. 22	306,086	313,809	304,776	295,993
Percentage of activity	Nov. 22	94	94	94	94
Unfilled orders (tons) at end of period	Nov. 22	398,251	431,670	421,384	388,664
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 28	109.65	109.69	108.97	109.26
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 8	2,265,180	3,037,450	2,542,650	1,273,960
Short sales	Nov. 8	481,800	606,320	510,350	376,150
Other sales	Nov. 8	1,825,750	2,346,070	1,899,500	1,020,470
Total sales	Nov. 8	2,307,560	2,952,590	2,409,850	1,396,620
Other transactions initiated on the floor—					
Total purchases	Nov. 8	523,440	784,030	671,710	306,560
Short sales	Nov. 8	55,300	121,900	43,800	103,800
Other sales	Nov. 8	467,500	725,710	691,550	223,190
Total sales	Nov. 8	522,800	847,610	735,350	326,990
Other transactions initiated off the floor—					
Total purchases	Nov. 8	678,500	1,073,690	905,390	470,810
Short sales	Nov. 8	117,330	154,700	186,090	132,150
Other sales	Nov. 8	859,291	956,420	1,141,580	345,180
Total sales	Nov. 8	976,621	1,111,120	1,327,670	477,330
Total round-lot transactions for account of members—					
Total purchases	Nov. 8	3,467,120	4,895,170	4,119,750	2,151,330
Short sales	Nov. 8	654,430	883,120	740,240	612,100
Other sales	Nov. 8	3,152,551	4,028,200	3,732,630	1,588,840
Total sales	Nov. 8	3,806,981	4,911,320	4,472,870	2,200,940
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	Nov. 8	1,470,488	1,686,273	2,140,798	1,277,297
Dollar value	Nov. 8	$69,346,567	$76,733,823	$104,351,503	$52,512,111
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 8	1,489,787	1,720,369	2,162,292	911,726
Customers' short sales	Nov. 8	8,098	12,550	8,473	27,646
Customers' other sales	Nov. 8	1,481,689	1,707,819	2,153,819	884,080
Dollar value	Nov. 8	$69,670,667	$77,508,344	$101,053,962	$38,132,123
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 8	473,060	562,320	681,860	182,280
Short sales	Nov. 8				
Other sales	Nov. 8	473,060	562,320	681,860	182,280
Round-lot purchases by dealers—					
Number of shares	Nov. 8	433,780	532,170	646,800	589,640
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	Nov. 8	808,540	1,150,030	902,850	979,860
Other sales	Nov. 8	15,895,300	20,617,120	19,287,560	9,200,470
Total sales	Nov. 8	16,703,840	21,767,150	20,190,410	10,180,330
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 25	119.1	119.1	118.6	117.8
Farm products	Nov. 25	91.7	*91.8	90.9	91.6
Processed foods	Nov. 25	108.6	*108.8	109.6	106.0
Meats	Nov. 25	102.2	*102.4	103.8	91.5
All commodities other than farm and foods	Nov. 25	126.9	126.8	126.1	125.6

*Revised figure. ¶Includes 976,000 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 Oct. 31:			
Imports	$246,187,000	$236,089,000	$248,287,000
Exports	353,638,000	355,094,000	464,590,000
Domestic shipments	16,509,000	18,981,000	10,559,000
Domestic warehouse credits	279,622,000	300,343,000	215,386,000
Dollar exchange	116,650,000	135,900,000	93,750,000
Based on goods stored and shipped between foreign countries	242,354,000	234,518,000	192,249,000
Total	1,254,960,000	1,280,925,000	1,224,821,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of October	13,633	12,932	11,251
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of Sept. (Millions of dollars):			
Manufacturing	$49,200	*$49,400	$54,200
Wholesale	12,100	12,100	12,800
Retail	23,700	23,900	24,400
Total	$85,000	$85,400	$91,300
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE — Month of October (000's omitted)	$772,000	$1,638,000	$738,200
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Oct. 31 (000's omitted)	$961,000	$958,000	$516,000
COTTON GINNING (DEPT. OF COMMERCE):			
To Nov. 1 (running bales)	7,316,102	------	5,593,251
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—1958 crop as of Nov. 1:			
Production 500-lb. gross bales	11,764,000	11,675,000	10,963,680
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—			
Crop as of Nov. 1 (in thousands):			
Corn, all (bushels)	3,785,544	3,686,218	3,402,832
Wheat, all (bushels)	1,449,498	1,449,498	947,102
Winter (bushels)	1,170,768	1,170,768	707,201
All spring (bushels)	278,730	278,730	239,901
Duram (bushels)	22,053	22,053	39,680
Other spring (bushels)	256,677	256,677	200,221
Oats (bushels)	1,419,351	1,419,351	1,308,360
Barley (bushels)	466,301	466,301	435,695
Rye (bushels)	34,093	34,093	26,528
Flaxseed (bushels)	39,969	39,969	25,754
Rice (100-lb. bag)	47,657	47,637	43,130
Sorghum grain (bushels)	639,303	607,118	561,977
Cotton (bales)	11,764	11,675	10,964
Hay, all (tons)	120,374	120,374	121,402
Hay, wild (tons)	10,641	10,641	11,313
Hay, alfalfa (tons)	66,400	68,400	69,092
Hay, clover and timothy (tons)	23,849	23,849	22,087
Hay, lespedeza (tons)	5,434	5,434	4,852
Beans, dry edible (Cleaned) (100-lb. bags)	18,786	18,695	15,771
Peas, dry field (Cleaned) (100-lb. bags)	2,353	2,353	3,270
Soybeans for beans (bushels)	575,046	572,586	479,841
Peanuts (pounds)	1,885,525	1,849,385	1,445,110
Potatoes (hundredweight)—			
Winter	4,780	4,780	6,790
Early spring	3,904	3,904	4,408
Late spring	26,901	26,901	30,104
Early summer	11,006	11,006	9,047
Late summer	34,940	34,940	32,209
Fall	179,048	176,345	156,981
Total	260,579	257,876	239,539
Sweetpotatoes (hundredweight)	18,074	18,268	18,053
Tobacco (pounds)	1,764,197	1,771,679	1,660,553
Sugarcane for sugar and seed (tons)	7,332	7,332	6,750
Sugar beets (tons)	15,186	15,015	15,497
Broomcorn (tons)	33	33	43
Hops (pounds)	47,611	47,611	40,135
*Apples, commercial crop (bushels)	124,717	125,338	118,548
Peaches (bushels)	71,618	71,618	62,335
Pears (bushels)	28,983	29,064	31,676
Grapes (tons)	2,932	2,903	2,599
Cherries (12 States) (tons)	186	186	240
Apricots (3 States) (tons)	117	117	190
Cranberries (5 States) (barrels)	1,127	1,108	1,050
Pecans (pounds)	158,000	170,500	141,350
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of October:			
Sales (average monthly), unadjusted	143	127	*134
Sales (average daily), unadjusted	135	129	*127
Sales (average daily), seasonally adjusted	128	125	119
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate customers—Month of July (000's omitted)	48,919,378	46,645,615	47,975,984
Revenue from ultimate customers—month of August	$836,479,000	$805,925,000	$796,383,000
Number of ultimate customers at Aug. 31	55,830,000	55,657,248	54,817,533
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49 = 100—Month of Oct.:			
Seasonally adjusted	138	137	142
Unadjusted	143	139	146
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of October (1947-49=100)	66.6	64.9	77.1
MONEY IN CIRCULATION—TREASURY DEPT.			
As of Sept. 30 (000's omitted)	$31,245,000	$31,371,000	$31,073,000
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of Oct.	£24,758,000	£11,143,000	£50,280,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of July:			
Net railway operating income	$51,638,493	$67,198,976	$68,460,972
Other income	19,877,415	22,635,750	19,698,646
Total income	71,515,908	89,834,726	88,159,618
Miscellaneous deductions from income	4,848,346	4,850,386	4,403,374
Income available for fixed charges	66,667,562	84,984,340	83,756,244
Income after fixed charges	35,056,184	53,190,746	52,783,103
Other deductions	4,142,596	3,764,516	4,163,155
Net income	30,913,588	49,426,230	48,619,948
Depreciation (way & structure & equipment)	50,295,896	50,259,921	48,898,574
Federal income taxes	14,708,954	18,779,410	21,423,925
Dividend appropriations:			
On common stock	18,045,485	22,416,144	26,301,264
On preferred stock	778,976	839,967	542,662
Ratio of income to fixed charges	2.11	2.67	2.70
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of October:			
Net sales			
Net purchases	$17,347,000	$10,613,800	$26,571,900
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of August (000's omitted):			
Exports	$1,395,900	$1,419,000	$1,677,300
Imports	952,500	1,050,000	1,042,500

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ **Advanced Research Associates, Inc.**
Dec. 1 filed 400,000 shares of common stock. **Price**—$6 per share. **Proceeds** — For research and development program; and for equipment and working capital. **Office**—4130 Howard Ave., Kensington, Md. **Underwriters**—Wesley Zaugg & Co., Kensington, Md., and Williams, Widmayer Inc., Washington, D. C.

Ambassador Oil Corp., Fort Worth, Tex.
Nov. 12 filed 705,000 shares of common stock (par $1), of which 5,000 shares are to be offered for sale to company employees. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo. **Offering**—Expected today (Dec. 4).

American Art Metals Co. (12/9)
Nov. 10 filed $1,250,000 of 6% convertible debentures due 1968. **Price**—To be supplied by amendment. **Proceeds**—$156,500 to retire outstanding notes; $145,500 to retire the presently outstanding 6% cumulative preferred stock; for construction of plant, and acquisition of equipment and relocation of facilities; and for working capital. **Business**—A manufacturer of aluminum entrances and store fronts from aluminum extrusions. **Office**—433 Highland Ave., N. E., Atlanta, Ga. **Underwriters**—The Johnson, Lane, Space Corp., Atlanta and Savannah, Ga.; W. E. Hutton & Co., New York; and J. H. Hilsman & Co., Inc., Atlanta, Ga.

American Asiatic Oil Corp.
Nov. 24 filed 100,000,000 shares of capital stock. **Price**—Two cents per share. **Proceeds**—To selling stockholders. **Office**—Magsaysay Building, San Luis, Ermita, Manila, Republic of Philippines. **Underwriter** — Gaberman & Hagedorn, Inc., Manila, Republic of Philippines.

American Bowling Equipment Corp.
Nov. 10 (letter of notification) 50,000 shares of non-cumulative convertible preferred stock (par $3) and 5,000 shares of common stock (par one cent) to be offered in units of 10 shares of preferred stock and one share of common stock. **Price**—$31 per unit. **Proceeds**—For purchase of bowling equipment and working capital. **Office**—135 Front St., New York, N. Y. **Underwriter** — York Securities, Inc., 80 Wall St., New York, N. Y.

American Buyers Credit Co.
Nov. 13 filed 5,000,000 shares of common stock, of which 4,545,455 shares of this stock are to be offered for public sale at $1.75 per share. [Shares have been issued or are issuable under agreements with various policy holders in American Buyers Life Insurance Co. and American Life Assurance Co. (both of Phoenix) permitting them to purchase stock at $1.25 per share. Sales personnel have been given the right to purchase stock at $1.25 per share up to the amount of commission they receive on stock sales made by them.] **Proceeds**—For the operation of other branch offices, both in Arizona and in other states. **Office**—2001 East Roosevelt, Phoenix, Ariz. **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 Growth Fund, Inc., Denver, Colo.
Nov. 17 filed 1,000,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Office**—800 Security Building, Denver, Colo. **Underwriter**—American Growth Fund Sponsors, Inc., 800 Security Bldg., Denver 2, Colo.

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.

Anheuser-Busch, Inc. (12/10)
Nov. 14 filed 100,000 shares of common stock (par $4). **Price**—To be supplied by amendment. **Proceeds**—To the Estate of Alice Busch. **Underwriters**—Newhard, Cook & Co.; Reinholdt & Gardner; Stifel, Nicolaus & Co., Inc.; and Scherck, Richter Co.; all of St. Louis, Mo.

● **Arvida Corp., Miami, Fla.**
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. **Offering**—Expected in near future.

Associated Bowling Centers, Inc.
Nov. 24 filed 300,000 shares of 20-cent cumulative convertible preferred stock (par one cent) and 50,000 outstanding shares of common stock (par one cent). The preferred shares are to be offered for public sale for the account of the company and the common shares will be offered for the account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—To acquire new bowling centers and increase working capital (part to be used in defraying cost of acquisition of stock of owner of a Brooklyn (N.Y.) bowling center. **Office**—135 Front St., N. Y. **Underwriter** — To be named by amendment.

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.
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 800,000 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.

Belock Instrument Corp. (12/15-18)
Nov. 12 filed $1,000,000 of convertible subordinate debentures due 1973. **Price**—To be supplied by amendment. **Proceeds** — For inventory and operating equipment for manufacture of new products recently developed, and the balance for working capital. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

● **Biddeford & Saco Water Co.**
Nov. 10 (letter of notification) 1,000 shares of common stock being offered for subscription by stockholders of record Nov. 26 on the basis of one new share for each 10 shares held; rights to expire on Dec. 15. **Price**—At par ($100 per share). **Proceeds**—For improvements and additions to property. **Office**—181 Elm Street, Biddeford, Me. **Underwriter**—None.

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NEW ISSUE CALENDAR

December 5 (Friday)

Carolina Telephone & Telegraph Co.________Common
(Offering to stockholders—not underwritten) $7,346,625

Ferro Dynamics Corp.________Common
(Milton D. Blauner & Co., Inc. and Hallowell Sulzberger, Jenks, Kirkland & Co.) $300,000

Miles Laboratories, Inc.________Debentures
(Offering to stockholders—underwritten by The First Boston Corp.) $6,035,400

December 8 (Monday)

Bowl America Corp.________Common
(Auchincloss, Parker & Redpath) $600,000

Campbell Chibougamau Mines, Ltd.________Bonds
(Allen & Co. and W. C. Pitfield & Co., Ltd.) $5,000,000

Morton Manufacturing Corp.________Common
(Johnson, Lane, Space Corp.) 120,000 shares

Northwest Airlines, Inc.________Preferred
(Offering to stockholders—underwritten by The First Boston Corp.) $11,226,000

West Ohio Gas Co.________Common
(Offering to stockholders—not underwritten) $564,225

December 9 (Tuesday)

American Art Metals Co.________Debentures
(The Johnson, Lane, Space Corp., W. E. Hutton & Co. and J. H. Hilsman & Co., Inc.) $1,250,000

Cardinal Instrumentation Corp.________Common
(Myron A. Lomasney & Co.) $240,000

Cutter Laboratories________Common
(Blyth & Co., Inc.) 150,000 shares

General Acceptance Corp.________Preferred
(Paine, Webber, Jackson & Curtis and Eastman Dillon, Union Securities & Co.) 300,000 shares

Metropolitan Toronto (Municipality of)____Debens.
(Harriman Ripley & Co., Inc. and Dominion Securities Corp.) $28,559,000

Southern Bell Telephone & Telegraph Co.____Debens.
(Bids 11 a.m. EST) $70,000,000

December 10 (Wednesday)

Anheuser-Busch, Inc.________Common
(Newhard, Cook & Co.; Reinholdt & Gardner; Stifel, Nicolaus & Co., Inc.; and Scherck, Richter Co.) 100,000 shares

Carolina Telephone & Telegraph Co.________Common
(Bids 11 a.m. EST) 65,952 rights

Marcus Transformer Co., Inc.________Common
(Berry & Co.) $300,000

National Old Line Insurance Co.________Common
(Equitable Securities Corp.) 515,021 shares

Nielsen (A. C.) Co.________Common
(Smith, Barney & Co.) 126,780 shares

Philadelphia Electric Co.________Bonds
(Bids noon EST) $50,000,000

Woolfoam Corp.________Common
(C. H. Abraham & Co., Inc.) $300,000

December 11 (Thursday)

Upjohn Co.________Common
(Morgan Stanley & Co.) 2,410,000 shares

December 15 (Monday)

Belock Instrument Corp.________Debentures
(Carl M. Loeb, Rhoades & Co.) $1,000,000

Columbia Gas System, Inc.________Common
(Carl M. Rhoades & Co. and Merrill Lynch, Pierce, Fenner & Smith) 800,000 shares

Cuneo Press, Inc.________Debentures
(Hemphill, Noyes & Co.) $5,000,000

Two Guys From Harrison, Inc.________Debentures
(Bache & Co.) $2,500,000

December 16 (Tuesday)

New York, Chicago & St. Louis RR.____Equip. Tr. Ctfs
(Bids to be received) $4,920,000

Texas Power & Light Co.________Bonds
(Bids to be invited) $12,500,000

December 17 (Wednesday)

United States Freight Co.________Common
(Offering to stockholders—to be underwritten by Merrill Lynch, Pierce, Fenner & Smith) $210,000

December 18 (Thursday)

Narda Ultrasonics Corp.________Common
(Milton D. Blauner & Co., Inc. and Michael G. Kletz & Co.) 60,000 shares

Norfolk & Western Ry.________Equip. Trust Ctfs.
(Bids to be invited) $5,850,000

December 22 (Monday)

Colonial Sand & Stone Co., Inc.________Common
(Glore, Forgan & Co.) 63,467 shares

Filmways, Inc.________Common
(S. D. Fuller & Co.) 154,000 shares

Sire Plan of Elmsford, Inc.________Debens. & Pfd.
(Sire Plan Portfolios, Inc.) $500,000

December 23 (Tuesday)

Edmonton (City of)________Debentures
(The First Boston Corp. and Dominion Securities Corp.) $6,000,000

January 2 (Friday)

Mechmetal-Tronics Inc.________Common
(Charles Plohn & Co.) $247,500

January 8 (Thursday)

San Diego Gas & Electric Co.________Debentures
(Bids to be invited) $15,000,000

January 9 (Friday)

Heliogen Products, Inc.________Common
(Albion Securities Co.) $144,000

January 13 (Tuesday)

Gulf States Utilities Co.________Preferred
(Bids to be received) $10,000,000

January 19 (Monday)

Gulf States Utilities Co.________Bonds
(Bids to be invited) $10,000,000

January 20 (Tuesday)

Government Employees Variable Annuity Life Insurance Co.________Common
(Offering to stockholders—underwritten by Johnston, Lemon & Co.; Eastman Dillon, Union Securities & Co. and Abacus Fund) $7,500,000

Postponed Financing

Consumers Power Co.________Preferred
(Morgan Stanley & Co.) $15,000,000

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

Pennsylvania Power Co.________Bonds
(Bids to be invited) $8,000,000

Southwestern Bell Telephone Co.________Debentures
(Bids to be invited) $110,000,000

Utah Power & Light Co.________Bonds
(Bids to be invited) $20,000,000

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★ Boston Fishing Boat Co.
Nov. 18 (letter of notification) 2,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To engage in construction, purchase, leasing and operation of fishing vessels in all proper waterways. **Office** — 220 Northern Ave., Boston, Mass. **Underwriter**—None.

● Bowl America Corp., Arlington, Va. (12/8)
Nov. 10 filed 300,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For acquisition of land, building improvements and working capital. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

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.

★ Brooks & Perkins, Inc., Detroit, Mich.
Nov. 26 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To complete the company's commitment to purchase at par 5,000 shares of the $100 par common stock of Alabama Metallurgical Corp.; and the balance for general corporate purposes. **Business**—Rolling and fabrication of magnesium and magnesium alloys, etc. **Underwriter**—Watling, Lerchen & Co., Detroit, Mich.

★ Burlington Industries, Inc., Greensboro, N. Car.
Dec. 2 filed $7,051,675 of outstanding 5.4% subordinated debentures due 1974. **Price**—To be supplied by amendment. **Proceeds** — To selling debentureholders. **Underwriter**—Kidder, Peabody & Co., New York.

● Campbell Chibougamau Mines, Ltd. (12/8-12)
Nov. 12 filed $5,000,000 of 6% first mortgage convertible sinking fund bonds due 1968. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, and the remainder will be used for corporate purposes, including commencement of development of Henderson ore body. **Office**—55 Yonge St., Toronto, Ontario, Canada. **Underwriters**—Allen & Co., New York, and W. C. Pitfield & Co., Ltd., Montreal, Quebec, Canada.

Cardinal Instrumentation Corp. (12/9)
Nov. 4 (letter of notification) 240,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For payment of notes, capital additions and inventory. **Office**—4201 Redwood Ave., Los Angeles 66, Calif. **Underwriter**—Myron A. Lomasney & Co., New York.

Carolina Telephone & Telegraph Co. (12/5)
Nov. 17 filed 58,773 shares of common capital stock (par $100) to be offered for subscription to stockholders of record Dec. 4, 1958, in the ratio of one new share for each five shares then held; rights to expire on Dec. 29. **Price**—$125 per share. **Proceeds**—To reduce short-term bank loans. **Underwriter**—None.

Carolina Telephone & Telegraph Co. (12/10)
Nov. 17 filed 65,952 rights to subscribe for common stock (par $100) on a one-for-five basis at $125 per share to be issued to Southern Bell Telephone & Telegraph Co., owner of 22.6% of the outstanding Carolina stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: R. S. Dickson & Co., Kidder, Peabody & Co. **Bids** — Expected to be received up to 11 a.m. (EST) on Dec. 10.

Cemex of Arizona, Inc.
Nov. 17 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Address**—P. O. Box 1849, 3720 E. 32nd Street, Yuma, Ariz. **Underwriter**—L. A. Huey Co., Denver, Colo.

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.

● Checker Motors Corp., Kalamazoo, Mich.
Nov. 7 filed 133,112 shares of common stock (par $1.25) to be offered for subscription by holders of outstanding common stock of record Dec. 4, 1958 at the rate of one new share for each seven shares then held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—For exercise by company of its option to purchase 19 presses and accessories leased from Checker Taxi Co. Inc. and for working capital. **Business** — Manufactures and sells Checker taxicabs. **Underwriter**—None.

Chemical Fire & Casualty Insurance Co.
Nov. 24 filed 210,000 shares of class "A" voting common stock and 210,000 warrants to subscribe to a like number of shares of class "B" non-voting common stock. Purchasers of the class "A" shares will receive with each share purchased a warrant granting the right to purchase for $10 per share one shares of class "B" stock for a period of 18 months after the company receives permission to write insurance. **Price**—$10 per share. **Proceeds**—For working capital. **Office**—2807 Sterick Bldg., Memphis, Tenn. **Underwriter**—None.

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.

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.

Colonial Aircraft Corp., Sanford, Me.
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.

● Colonial Sand & Stone Co., Inc. (12/22)
Nov. 26 filed 63,467 shares of common stock to be issued upon exercise of warrants at an adjusted price of $6.912 per share. **Price**—To public, to be supplied by amendment. **Proceeds**—From warrants, to be added to the general funds of the company. **Underwriter** — Glore, Forgan & Co., New York.

Columbia Gas System, Inc. (12/15-24)
Nov. 21 filed 800,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriters** — Carl M. Loeb, Rhoades & Co., Merrill Lynch, Pierce, Fenner & Smith and seven other firms, all of New York.

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.

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.

Cuneo Press, Inc. (12/15)
Nov. 20 filed $5,000,000 of convertible subordinated debentures due Dec. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—$1,176,000 to be used to purchase 12,000 outstanding 3½% cumulative preferred shares ($100 par) at a price of $98 per share, pursuant to agreements entered into with the holders of such shares; the balance to be used to augment the company's working capital. **Office**—2242 Grove St., Chicago, Ill. **Underwriter**—Hemphill, Noyes & Co., New York.

Cutter Laboratories, Berkeley, Calif. (12/9)
Nov. 17 filed 150,000 shares of class A common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, and for other corporate purposes. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

Dutch West India Co., Ltd.
Nov. 3 (letter of notification) 222,220 shares of common stock (par 10 cents). **Price**—$1.35 per share. **Proceeds**—For retirement of notes, purchase of equipment, raw materials, containers, etc., and leasehold improvements. Office — 129 S. State St., Dover, Del. **Underwriter**—Ross Securities, Inc., New York.

★ Edmonton (City of), Canada (12/23)
Dec. 3 filed $6,000,000 of sinking fund debentures, due Dec. 15, 1978. **Price**—To be supplied by amendment. **Proceeds**—To be applied to the extension of electric light, telephone and sewer service or to the payment of bank loans incurred for these purposes. **Underwriters**—The First Boston Corp. and Dominion Securities Corp., both of New York.

Epsco, Inc.
Nov. 5 (letter of notification) 7,500 shares of common stock (no par). **Price**—$24 per share. **Proceeds**—To selling stockholders. **Office**—588 Commonwealth Ave., Boston, Mass. **Underwriter**—W. C. Langley & Co., Boston, Mass. No public offer planned.

● Epsco, Inc.
Nov. 5 (letter of notification) 2,200 shares of common stock (no par). **Price**—At the market. **Proceeds**—To a selling stockholder. **Office** — 588 Commonwealth Ave., Boston, Mass. **Underwriter**—Hayden, Stone & Co., Boston, Mass. No public offer planned.

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.

★ Federated Finance Co.
Nov. 17 (letter of notification) $300,000 of 10-year 6% senior subordinated debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For working capital, to make loans, etc. **Office**—2104 "O" St., Lincoln, Neb. **Underwriters** — J. Cliff Rahel & Co. and Eugene C. Dinsmore, Omaha, Neb.

● Ferro Dynamics Corp. (12/5)
Nov. 12 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For acquisition or lease of machinery and working capital. **Office**—Lodi, N. J. **Underwriters**—Milton D. Blauner & Co., Inc., New York, N. Y., and Hallowell Sulzberger, Jenks, Kirkland & Co., Philadelphia, Pa.

★ Filmways, Inc. (12/22-26)
Nov. 28 filed 154,000 shares of common stock (par 25 cents), of which 14,000 shares will be sold for the account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Office**—18 East 50th Street, New York, N. Y. **Underwriter**—S. D. Fuller & Co., New York.

● Fleetwood Motel Corp.
Oct. 24 (letter of notification) $294,000 of 10-year 6% convertible debentures due 1968. **Price**—At par (in denominations of $100, $500 and $1,000. **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. **Offering**—Expected this week.

★ Florida Builders, Inc.
Dec. 1 filed $4,000,000 of 6% 15-year sinking fund subordinated debentures and 40,000 shares of common stock, to be offered in units of $100 principal amount of debentures and one share of common stock. **Price** — $110 per unit. **Proceeds**—For purchase and development of subdivision land, including shopping site; for new equipment and project site facilities; for financing expansion program; and for liquidation of bank loans and other corporate purposes. **Office**—700 43rd St., South, St. Petersburg, Fla. **Underwriter**—None.

Fluorspar Corp. of America
Oct. 14 (letter of notification) 133,333 shares of common stock (par 25 cents). **Price**—$2.25 per share. **Proceeds**—For mining expenses. **Office**—4334 S. E. 74th Ave., Portland 6, Ore. **Underwriter** — Ross Securities Inc., New York, N. Y.

Fort Pierce Port & Terminal Co.
Nov. 25 filed 2,138,500 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To pay short-term loans and for completing company's Port Development Plan and rest added to general funds. **Office** — Fort Pierce, Fla. **Underwriter**—Frank B. Bateman, Ltd., Palm Beach, Fla.

● General Acceptance Corp. (12/9)
Nov. 10 filed 300,000 shares of voting preferred stock, convertible series. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriters**—Paine, Webber, Jackson & Curtis and Eastman Dillon, Union Securities & Co., both of New York.

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 Alloys Co.
Nov. 17 (letter of notification) 45,250 shares of common stock (par $1), of which 16,900 shares are to be offered to employees and the remainder to the public. **Price**—To employees, $1.1805 per share. **Proceeds**—To purchase and install machinery and equipment. **Office**—367-405 West First St., Boston, Mass. **Underwriter**—William S. Prescott & Co., Boston, Mass.

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

● Government Employees Variable Annuity Life Insurance Co. (1/20)
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company on or about Jan. 20, 1959 viz: (1) to holders of common stock (par $4) of Government Employees Insurance Co. on the basis of one warrant per share of stock held on Jan. 6, 1959 (1,334,570 shares are now outstanding); (2) to holders of common stock (par

$1.50) of Government Employees Life Insurance Co., on the basis of 1½ warrants per share of stock held on Jan. 6, 1959 (216,429 shares are now outstanding); and (3) to holders of common stock (par $5) of Government Employees Corp., on the basis of ½ warrant per share of stock held on Jan. 6, 1959 (as of Sept. 30, 1958 there were 143,127 shares of stock outstanding and $614,360 of 5% convertible capital debentures due 1967, convertible into shares of common at $28.0374 per share. If all these debentures were converted into common stock prior to the record date, a total of 164,724 common shares would be outstanding. Warrants will expire on Feb. 10, 1959. **Price**—$3 per share. **Proceeds**—For capital and surplus. **Office**—Government Employees Insurance Building, Washington, D. C. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.; Eastman Dillon, Union Securities & Co., New York; and Abacus Fund, Boston, Mass.

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 to purchase one-eighth share of Grain Elevator stock for each share of National Alfalfa common held on Nov. 17, 1958; rights to expire Dec. 31. **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.

● **Gray Manufacturing Co., Hartford, Conn.**
Oct. 28 filed 90,218 shares of capital stock (par $5) being offered for subscription by common stockholders of record Nov. 25, 1958 at the rate of one new share for each four shares held (rights to expire on Dec. 22). **Price**—$8 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Guaranty Life Insurance Co. of America
Nov. 14 filed 88,740 shares of class A common capital stock (par $1.80). **Price**—$5.35 per share. **Proceeds**—To increase capital and surplus. **Office**—815 15th Street, N. W., Washington, D. C. **Underwriter**—None.

Hamilton Oil & Gas Corp.
Oct. 22 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—To acquire funds to test drill, explore, and develop oil and gas properties. **Underwriter**—None. [The registration includes an additional 588,000 common shares issuable upon exercise of 1,176,000 options rights previously offered (Oct. 19, 1957), which rights entitle the original purchaser thereof to purchase one-half share of stock at 50 cents per share at the expiration of 13 months after commencement of such offering.]

Haverhill Gas Co., Haverhill, Mass.
Nov. 12 (letter of notification) 12,285 shares of capital stock (par $10) to be offered for subscription by stockholders of record on Dec. 3, 1958. **Price**—$20 per share. **Proceeds**—To repay bank loans. **Underwriter**—None.

Heartland Development Corp.
Oct. 23 (letter of notification) 22,320 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.

● **Heliogen Products, Inc. (1/9)**
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.

Highway Trailer Industries, Inc.
Nov. 24 filed 473,000 outstanding shares of common stock (par 25 cents). **Price**—At prices generally prevailing on the American Stock Exchange. **Proceeds**—To selling stockholders. **Office**—250 Park Avenue, N. Y. **Underwriter**—None.

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.

★ **Home-O-Nize Co.**
Nov. 19 (letter of notification) 1,000 shares of common stock (par $10). **Price**—$25 per share. **Proceeds** — For construction, repayment of loans and purchase and installation of machinery and equipment. **Office**—701 E. Third St., Muscatine, Ia. **Underwriter**—None.

Home-Stake Production Co., Tulsa, Okla.
Nov. 5 filed 116,667 shares of common stock (par $5). **Price**—$6 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — 2202 Philtower Bldg., Tulsa, Okla. **Underwriter**—None.

Honeggers' & Co., Inc., Fairbury, Ill.
Nov. 7 filed 19,000 shares of common stock (no par), of which 18,000 shares will be sold for company and 1,000 shares for a selling stockholder. **Price**—$30.50 per share. **Business**—Manufactures and sells formula feeds for livestock, animal and poultry, farm animal shelters and related equipment and supplies. **Proceeds** — For working capital and general corporate purposes, including the financing of increased inventory and receivables. **Underwriters**—Tabor & Co., Decatur, Ill., Fusz-Schmelzle & Co., Inc., St. Louis, Mo., and Ellis, Holyoke & Co., Lincoln, Neb.

Indiana & Michigan Electric Co.
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. **Offering**—Date indefinite.

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. Statement effective Nov. 18.

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.

★ **Israel Investors Corp.**
Dec. 1 filed 46,260 shares of common stock. **Price**—$100 per share. **Proceeds**—For investment. **Office**—19 Rector Street, New York, N. Y. **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 Utilities Co.
Nov. 3 filed 206,446 shares of common stock (par $10) being 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**—$33 per share. **Proceeds**—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 & Son, Louisville, Ky.

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 being offered to common shareholders at the rate of one unit (consisting of one common share and one warrant) for each two shares held as of Nov. 25, 1958 (with an oversubscription privilege); rights to expire on Dec. 12, 1958. **Price**—$2.25 per unit (payable in either Canadian or U. S. dollars). **Proceeds**—For construction program and for corporate purposes. **Office** — Picton, Ontario, Canada. **Underwriter**—None. The company's two principal shareholders together with Kidder, Peabody & Co. and Nesbitt, Thomson & Company, Limited, have agreed that they will subscribe for a total of 343,432 units.

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.

Lorillard (P.) Co., New York
Nov. 5 filed 364,670 shares of common stock (par $10), being offered for subscription by common stockholders at the rate of one new share for each eight shares held on Nov. 25; rights to expire on Dec. 9. **Price**—$68 per share. **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.

Lowenstein (M.) & Sons, Inc.
Nov. 7 (letter of notification) 3,225 shares of common stock (par $1) to be offered on a basis of 1¼ shares in exchange for one share of capital stock of Wamsutta Mills. **Office**—1430 Broadway, New York, N. Y. **Underwriter**—None.

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.

Mankato Citizens Telephone Co.
Nov. 19 (letter of notification) 5,454 shares of common stock (no par) to be offered for subscription by stockholders on the basis of one new share for each seven shares held; unsubscribed shares to employees. **Price**—$55 per share. **Proceeds**—To complete dial conversion program. **Office**—315 South Second St., Mankato, Minn. **Underwriter**—None.

Marcus Transformer Co., Inc. (12/10-15)
Nov. 6 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—For purchase and installation of new production equipment and working capital. **Office**—900 Leesville Ave., Rahway, N. J. **Underwriter**—Berry & Co., New York, N. Y.

Marine Corp., Milwaukee, Wis.
Nov. 10 filed 501,500 shares of common stock (par $10) to be offered in exchange for all the issued and outstanding shares of capital stock of the following banks at the indicated ratios of exchange: (1) two shares for each of the 220,000 outstanding shares of Marine National Exchange Bank of Milwaukee, $20 par; (2) 22 shares for each of the 1,000 outstanding shares of Cudahy State Bank, Cudahy, Wis., $100 par; (3) three shares for each of the 7,500 outstanding shares of Holton State Bank, Milwaukee, $20 par; and (4) 17 shares for each of the 1,000 outstanding shares of South Milwaukee Bank, South Milwaukee, $100 par. Each of the exchange proposals is conditioned (among other things) upon exchanges being made with the holders of not less than 80% of the stock of the bank with respect to which the proposal is made. The offer will terminate on Dec. 31, 1958.

★ **Mechmetal-Tronics Inc. (1/2)**
Nov. 24 (letter of notification) 90,000 shares of common stock (par 20 cents). **Price**—$2.75 per share. **Proceeds**—For payment on contract to purchase invention; research and development expenses; and working capital. **Office**—c/o Virgil F. Every, 20 Lexington Avenue, Rochelle Park, N. J. **Underwriter** — Charles Plohn & Co., New York, N. Y.

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.

Metropolitan Toronto (Municipality of) (12/9)
Nov. 25 filed $5,852,000 of instalment debentures, maturing from Dec. 15, 1959 through 1977, and $22,707,000 of sinking fund debentures, maturing in 1978, 1983, and 1988. **Price**—To be supplied by amendment. **Proceeds**—For various public works projects. **Underwriters**—Harriman Ripley & Co., Inc. and Dominion Securities Corp., both of New York, and five other firms.

Mid-Atlantic Marina, Inc., Baltimore, Md.
Oct. 28 (letter of notification) 60,000 shares of 7% preferred stock (par $3.50). **Price**—$5 per share. **Proceeds**—For construction of a marina. **Office** — Room 104, Old Town Bank Bldg., Baltimore 2, Md. **Underwriter**—Maryland Securities Co., Baltimore, Md.

Miles Laboratories, Inc. (12/5)
Nov. 14 filed $6,035,400 of convertible subordinated debentures due 1978, to be offered for subscription by common stockholders of record Dec. 4, 1958 in the ratio of $100 of debenturse for each 20 common shares held; rights will expire on Dec. 19, 1958. **Price**—To be supplied by amendment. **Proceeds**—For expansion program and general corporate purposes. **Underwriter** — The First Boston Corp., New York.

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 Pea-

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body & 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.

Morton Manufacturing Corp. (12/8-12)
Nov. 17 filed 120,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—2101 Hudson Street, Lynchburg, Va. **Underwriter**—Johnson, Lane, Space Corp., Augusta, Ga.

Narda Ultrasonics Corp. (12/18)
Nov. 4 filed 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 Old Line Life Insurance Co. (12/10-16)**
Nov. 10 filed 515,021 outstanding shares of class BB common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—Capital Ave. and Wood Lane, Little Rock, Ark. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Expected the second or third week of December.

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.

● **Nielsen (A. C.) Co. (12/10)**
Nov. 20 filed 126,780 shares of common stock (par $1), of which 64,500 shares are to be sold for the account of the company and 62,280 shares for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — To be used for corporate purposes, including expansion, improvements, etc. **Office**—2101 Howard St., Chicago, Ill. **Underwriter**—Smith, Barney & Co., Chicago and New York.

● **Northwest Airlines, Inc. (12/8)**
Nov. 13 filed 457,873 shares of cumulative preferred stock, convertible series (par $25) to be offered for subscription by common stockholders on the basis of one preferred share for each three common shares held on Dec. 5; rights to expire on Dec. 22. **Price**—To be supplied by amendment. **Proceeds** — Together with other funds, to liquidate the borrowing under the present credit agreement with banks now amounting to $34,000,000, and the balance, together with cash generated from depreciation and retained earnings will be applied toward the acquisition of the new turboprop and turbojet aircraft and related spare parts, equipment and ground facilities, and for other corporate purposes. **Underwriter** —The First Boston Corp., 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.

★ **Nylonet Corp.**
Nov. 24 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds** —For working capital. **Office**—20th Ave., N. W. 75th St., Miami, Fla. **Underwriter**—Cosby & Co., Clearwater, Fla.

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.

Odlin Industries, Inc.
Nov. 12 filed $250,000 of 5½% convertible debentures and 250,000 shares of common stock (par 10 cents). **Price** —Debentures at 100% and stock at $3 per share. **Proceeds**—To purchase a textile mill, machinery, equipment and raw materials, and to provide working capital. **Office** —375 Park Ave., New York, N. Y. **Underwriter**—Harris Securities Corp., New York, N. Y., on a best efforts basis.

Oil, Gas & Minerals, Inc.
Nov. 16 (letter of notification) 116,000 shares of common stock (par 35 cents). **Price**—$1 per share. **Proceeds**—For development of oil and gas properties. **Office**—513 International Trade Mart, New Orleans 12, La. **Underwriter**—Assets Investment Co., Inc., New Orleans, La.

★ **ORRadio Industries, Inc.**
Nov. 20 (letter of notification) 32,255 shares of common stock (par 25 cents) to be issued to holders of warrants in connection with a prior offering; warrants expire Nov. 14, 1959. **Price**—$2 per share. **Proceeds**—For manufacturing and selling magnetic tapes. **Office**—Marvyn Rd., Opelika, Ala. **Underwriter**—None.

★ **Oxford Life Insurance Co.**
Nov. 20 (letter of notification) 300,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds** —For working capital. **Office**—211 No. Marshall Ave., Phoenix, Scottsdale, Ariz. **Underwriter**—None.

● **Pacific Telephone & Telegraph Co.**
Oct. 24 filed 1,594,604 shares of common stock being 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.

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.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions.

Philadelphia Electric Co. (12/10)
Nov. 13 filed $50,000,000 of first and refunding mortgage bonds due Dec. 1, 1986. **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 up to noon (EST) on Dec. 10 at 1000 Chestnut Street, Philadelphia 5, Pa.

Pioneer Trading Corp., Bayonne, N. J.
Nov. 10 filed 10,000 shares of $8 cumulative preferred stock, series A (par $100) and $1,000,000 of 8% subordinated debentures, series A, due Dec. 1, 1968 to be offered in units of a $500 debenture and five shares of preferred stock. **Price**—$1,000 per unit. **Proceeds** — For general corporate purposes. **Underwriter**—None.

Polaroid Corp.
Nov. 6 filed 173,616 shares of common stock (par $1) being offered for subscription by common stockholders of record Nov. 25, 1958 on the basis of one new share for each 21 shares then held; rights to expire on Dec. 9. **Price** — $70 per share. **Proceeds** — For expansion and working capital. **Underwriter**—Kuhn, Loeb & Co., New York.

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.

★ **Powelton Village Development Associates, Inc.**
Nov. 17 (letter of notification) 5,617 shares of preferred stock (par $10); 25,474 shares of common stock (par $1); 75,000 shares of class A common stock (par $1) and $25,000 of 5½% and 6% notes. **Price** — At par or face amount. **Proceeds**—For working capital. **Office**—3601 Powelton Ave., Philadelphia 4, Pa. **Underwriter**—None.

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.

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.

Realty & Theatre Ventures, Inc.
Nov. 18 (letter of notification) 200,000 shares of class A stock (par one cent). **Price**—$1.50 per share. **Proceeds**—For general working capital. **Office**—50 Broad St., New York, N. Y. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

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.

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.

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.

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 $13,500,000 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.

Sire Plan of Elmsford, Inc., New York (12/22)
Nov. 10 filed $250,000 of 6% 10-year debentures and 5,000 shares of 6% participating preferred stock (par $50) to be offered in units of a $50 debenture and one share of preferred stock. **Price**—$100 per unit. **Proceeds**—For acquisition of motels. **Underwriter**—Sire Plan Portfolios, Inc., New York.

Southern Bell Telephone & Telegraph Co. (12/9)
Nov. 14 filed $70,000,000 of 35-year debentures due Dec. 1, 1993. **Proceeds**—To repay outstanding advances from American Telephone & Telegraph Co., and the balance will be used for general corporate purposes. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively scheduled to be received at Room 2315, 195 Broadway, New York, N. Y., up to 11 a.m. (EST) on Dec. 9.

Sports Arenas (Delaware) Inc.
Nov. 18 filed $2,000,000 of 6% 10-year convertible debentures (subordinated), due Jan. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—$750,000 to pay AMF Pinspotters, Inc. for bowling alley beds; $350,000 to pay for other installations, fixtures and equipment; $85,000 to expand two present establishments by increasing the number of alley beds by eight at Yorktown Heights and by six at Wilton Manor Lanes, Fort Lauderdale; $300,000 for deposits on leaseholds, telephones and utilities; and $395,000 for working capital. **Underwriter**—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed 461,950 shares of common stock (par one cent). **Price**—At the market (but in no event less than $6 per share). **Proceeds**—To selling stockholders. **Office** —33 Great Neck Rd., Great Neck, N. Y. **Underwriter**—None.

State Life, Health & Accident Insurance Co.
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be invested in stocks and bonds and to acquire other life insurance companies. **Address**—P. O. Box 678, Gulfport, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price** —For bonds, 95% of principal amount; and for stock $3 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

Structural Fibers, Inc.
Nov. 4 (letter of notification) 15,700 shares of common stock being offered for subscription by stockholders of record Nov. 17, at the rate of one share for each two shares held (with an oversubscription privilege); rights to expire on Dec. 15. **Price** — At par ($10 per share). **Proceeds**—To retire outstanding debts and for working capital. **Office**—Fifth Ave., Chardon, Ohio. **Underwriter** —None.

Super Food Services, Inc.
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.] **Offering**—Expected this week.

Surrey Oil & Gas Corp., Dallas, Tex.
Nov. 12 filed 300,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To retire current liabilities and for drilling and exploration costs and working capital. **Underwriter**—Peter Morgan & Co., New York.

● **Texas Power & Light Co. (12/16)**
Nov. 21 filed $12,500,000 of first mortgage bonds due 1988. **Proceeds**—Together with a cash contribution of $2,000,000 from its parent, Texas Utilities Co., and funds derived from operations, will be used to finance construction and to repay $4,000,000 of loans from the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co.; Lehman Brothers; Drexel & Co. and Hemphill, Noyes & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received up to 11:30 a.m. (EST) on Dec. 16 at Room 2033, Two Rector Street, New York, N. Y.

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.

Tower Merchandise Mart, Inc., Boulder, Colo.
Nov. 10 filed 500,000 shares of common stock (par $5). **Price**—$10 per share. **Proceeds**—For working capital and construction program. **Underwriter**—Allen Investment Co., Boulder, Colo.

★ **Transonic, Inc.**
Nov. 17 (letter of notification) 72,726 shares of common stock (par 40 cents), of which 36,363 shares are for the account of a selling stockholder and 36,363 shares for the company. **Price**—$2.75 per share. **Proceeds**—To repay part of existing bank indebtedness. **Office** — 808 Sixteenth St., Bakersfield, Calif. **Underwriters**—Stephenson, Leydecker & Co., Oakland, Calif.; Hooker & Fay and Denault & Co., both of San Francisco, Calif.; and Evans MacCormack & Co., Los Angeles, Calif.

★ **Trout Mining Co.**
Dec. 2 filed 281,596 shares of common stock, of which 278,376 shares are to be offered for subscription by holders of company's common stock of record Dec. 31, 1958, on the basis of three new shares for each share to be held following a distribution to stockholders of record Dec. 5, 1958 of American Machine & Metals, Inc. There will be an oversubscription privilege. **Price**—$1 per share. **Underwriter**—None.

Tucson Gas, Electric Light & Power Co.
Nov. 5 filed 110,000 shares of common stock (par $5) being offered for subscription by common stockholders at the rate of one new share for each 10 shares held of record Nov. 25, 1958; rights to expire on Dec. 15. **Price**—$49 per share. **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.

★ **Two Guys From Harrison, Inc. (12/15-19)**
Nov. 26 filed $2,500,000 of convertible subordinated debentures due Jan. 1, 1974. **Price** — To be supplied by amendment. **Proceeds**—For expansion and construction program. **Office**—Port Newark, Newark, N. J. **Underwriter**—Bache & Co., New York.

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.

● **United States Freight Co. (12/17)**
Nov. 13 filed 210,000 shares of capital stock (no par) to be offered for subscription by stockholders of record Dec. 17, 1958, at the rate of one new share for each four shares held, rights to expire on Jan. 6. **Price**—To be supplied by amendment. **Proceeds** — Some $750,000 will be used to prepay conditional sales contracts for trailers, tractors and miscellaneous equipment previously acquired by the company for use in "piggyback" operations, and approximately $1,750,000 will be applied to additional "piggyback" equipment, the balance will be used for general corporate purposes, primarily as additional working capital to finance expanded "piggyback" operations. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, New York.

United States Glass & Chemical Corp.
Nov. 26 filed 708,750 outstanding shares of common stock. **Price**—At market. **Proceeds** — To selling stockholders. **Office**—Tiffin, Ohio. **Underwriter**—None.

Upjohn Co., Kalamazoo, Mich. (12/11)
Nov. 21 filed 2,410,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Morgan Stanley & Co.

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.

Vernon Co., Newton, Iowa
Nov. 25 filed 50,000 shares of common stock. **Price**—$9.25 per share. **Proceeds**—For working capital. **Underwriters**—T. C. Henderson & Co., Inc., Des Moines, Iowa, and Quail & Co., Inc., Davenport, Iowa.

★ **Vim, Inc., Washington, D. C.**
Nov. 19 (letter of notification) $245,000 of 6% second trust notes with a warranty and repurchase agreement (to be issued in units of $3,500 each) and 350 shares of common stock. **Price**—Notes to be sold at a discount; and the stock at par ($100 per share). **Proceeds** — For working capital. **Office**—509 Perpetual Bldg., 1111 E. St., N. W., Washington 4, D. C. **Underwriter**—None.

Vocaline Co. of America, Inc.
Nov. 10 (letter of notification) 21,500 shares of common stock (par $1.50). **Price**—To be supplied by amendment (approximately $2.25 per share). **Proceeds** — To repay short term bank loan; reduce accounts payable; acquire inventory and the balance for working capital. **Underwriter**—Paine, Webber, Jackson & Curtis, New York, N. Y.

Waltham Precision Instrument Co., Inc.
Oct. 24 (letter of notification) 300,000 shares of common stock being offered for subscription by stockholders on the basis of one share for each eight shares held as of Nov. 12, 1958 (with an oversubscription privilege); rights to expire on Dec. 12, 1958. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—Waltham, Mass. **Underwriter**—None.

West Ohio Gas Co. (12/8)
Nov. 17 filed 37,615 shares of common stock (par $5) to be offered for subscription by common stockholders of record Dec. 6, 1958, at the rate of one new share for each 10 shares then held; rights to expire on Jan. 9. **Price**—$15 per share. **Proceeds** — For construction program. **Office**—319 West Market St., Lima, O. **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 being offered to stockholders at $2 per share (rights to expire on Jan. 17), and the remaining 62,035 shares are being publicly offered at $3 each. **Proceeds**—For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter**—Edwin Jefferson, 39 Broadway, New York 6, N. Y. Statement effective Nov. 18.

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.

● **Woolfoam Corp. (12/10)**
Nov. 6 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—44 W. 18th St., New York, N. Y. **Underwriter**—C. H. Abraham & Co., Inc., 565 Fifth Ave., New York 17, N. Y.

Wyoming Corp.
Nov. 17 filed 1,449,307 shares of common stock. Of these shares 1,199,307 are subject to partially completed subscriptions at $2, $3.33 and $4 per share; and the additional 250,000 shares are to be offered initially to shareholders of record Nov. 1, 1958, in the ratio of one new share for each 2.33 shares held on that date. **Price**—$4 per share. **Proceeds**—$300,000 will be used for payments on contract to purchase shares of International Fidelity Insurance Co.; $325,000 for capitalization of a fire insurance company; $500,000 for capitalization of a title insurance company; $500,000 for additional capital contribution to Great Plains Development Co.; and $300,000 as an additional capital contribution to Great Plains Mortgage Co. **Office**—319 E. "A" St., Casper, Wyo. **Underwriter**—None.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith.

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.

● **Consolidated Edison Co. of New York, Inc.**
Nov. 25 it was announced that the company plans to offer to its common stockholders $59,778,600 of convertible debentures in the latter part of January on the basis of $100 of debentures for each 25 shares owned. **Price**—To be determined just prior to the offering date. **Underwriters**—May be Morgan Stanley & Co. and The First Boston Corp., both of New York. **Registration** — Expected on Dec. 23.

Denmark (Kingdom of)
Sept. 2 it was reported that an issue of between $20,000,000 to $30,000,000 may possibly be placed on the American market this year. **Underwriter**—Kuhn, Loeb & Co., New York.

Equitable Gas Co.
July 18 it was announced that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White, Weld & Co., all of New York.

First City National Bank
Sept. 19 it was announced Bank plans to offer to its stockholders of record Oct. 2, 1958 the right to subscribe for 125,000 additional shares of capital stock (par $20) on the basis of one new share for each 10 shares held; 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**
Dec. 3 bank offered 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** — Merrill Lynch, Pierce, Fenner & Smith, Fort Worth, Texas and, Equitable Securities Corp., Dallas, Texas.

First National Bank of Jersey City (N. J.)
Nov. 19 it was announced Bank is offering to its stockholders of record Nov. 19, 1958 the right to subscribe on a pro rata basis for an additional 17,000 shares of capital stock (par $25); rights will expire on Dec. 5. **Price**—$55 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Van Alstyne, Noel & Co., New York.

★ **First National Bank & Trust Co., Tulsa, Okla. (1/13)**
Nov. 25 it was reported that the stockholders of the Bank will vote on Jan. 13 to approve a plan to offer 100,000 shares of additional capital stock (par $10) on about a one-for-six basis to stockholders of record Jan. 13, 1959. **Price**—$27 per share. **Proceeds**—To increase

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capital and surplus. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, Oklahoma City, Okla.

★ General Telephone Co. of California
Nov. 21 it was reported that this company has applied to the California P. U. Commission to issue and sell 500,000 shares of 5% cumulative preferred stock (par $20). **Proceeds** — For capital improvement program. **Underwriters**—Paine, Webber, Jackson & Curtis, of New York and Boston, Mass., and Mitchum, Jones & Templeton, Los Angeles, Calif.

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.

Gulf States Utilities Co. (1/19)
Nov. 21 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **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**—Expected to be received on Jan. 19.

Gulf States Utilities Co. (1/13)
Nov. 13 it was announced company plans to issue and sell 100,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lee Higginson Corp.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers and Equitable Securities Corp. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Expected to be received on Jan. 13.

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**—Not expected this year.

★ Interstate Motor Freight System, Inc. (Mich.)
Dec. 1 it was reported that the company plans to issue and sell 125,000 shares of common stock. **Underwriters**—A. C. Allyn & Co., Inc. and Walston & Co., Inc.

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 1985. **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.

★ Manufacturers & Traders Trust Co.
Dec. 3 bank offered to its stockholders of record Dec. 2 rights to subscribe on or before Dec. 17 for 322,388 shares of capital stock (par $5) at rate of one new share for each six shares held. **Price**—$24 per share. **Proceeds** —To increase capital and surplus. **Underwriter** — The First Boston Corp., New York

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price** —$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

Michigan Bell Telephone Co.
Aug. 12 directors approved plans to sell $40,000,000 of 34-year debentures. **Proceeds**—To redeem a like amount of 4¾% debentures due November, 1992. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Had been tentatively scheduled to be received on Sept. 16, but on Aug. 26 it was voted to postpone this refunding program because of present market conditions.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

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, Chicago & St. Louis RR. (12/16)
Bids are expected to be received by the company on Dec. 16 for the purchase from it of $4,920,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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. (12/18)
Bids are expected to be received by the company on Dec. 18 for the purchase from it of $5,850,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ North American Equitable Life Assurance Co.
Dec. 1 it was announced that the company plans an offering of 950,000 shares of capital stock. **Price** — $10 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—John M. Tait & Associates, Cincinnati, Ohio.

North American Van Lines, Inc.
Nov. 20, James D. Edgett, President, announced company plans early in 1959 to make a public offering of its stock, and has applied to the Interstate Commerce Commission for authority to do so.

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.

Northern Insurance Co. of New York
Nov. 8 it was announced company plans to offer to its stockholders the right to subscribe for 290,400 shares of capital stock (par $12.50) on the basis of one new share for each two shares held (following 100% stock distribution). Stockholders will vote Dec. 10 on both proposals. Subscription warrants are expected to be issued late in December or early in January. **Underwriter**—May be The First Boston Corp., New York.

★ Pennsylvania Power & Light Co. (1/5)
Dec. 1 it was reported that an offering of 295,841 additional shares of common stock will be offered by company for subscription by common stockholders about Jan. 5, 1959 on the basis of one new share for each 20 shares then held. **Proceeds** — For construction program. **Underwriters**—The First Boston Corp., New York, and Drexel & Co., Philadelphia, Pa.

San Diego Gas & Electric Co. (1/8)
Nov. 12 it was reported that the company plans to issue and sell $15,000,000 of debentures. **Proceeds**—To repay bank borrowings incurred for capital expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler, Kuhn, Loeb & Co. and American Securities Corp. (jointly); Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Blyth & Co., Inc.; The First Boston Corp. **Bids**—To be received on Jan. 8.

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 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 Natural Gas Co. (1/20)
Nov. 24 it was reported that this company plans sale of about $35,000,000 of first mortgage bonds. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received on or about Jan. 20, 1959.

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.

★ Thomas & Betts Co.
Nov. 24 it was reported that the company plans early registration of about 250,000 to 300,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds** —To selling stockholders. **Underwriter**—Smith, Barney & Co., New York. **Registration**—Expected Dec. 10. **Offering**—Planned for some time in January.

★ Transcontinental Gas Pipe Line Corp.
Dec. 1 it was reported that the corporation plans to issue $30,000,000 to $35,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York. **Offering**—Expected in the early part of January.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959, but this financing may be put off until June, 1959. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Shields & Co. (jointly); Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith.

Universal Oil Products Co.
Aug. 13 it was reported that an issue of common stock will soon be offered to the public, the proceeds of which may run between $50,000,000 and $60,000,000. Approval of the transaction rests with the New York State Supreme Court (expected within two months). **Proceeds**—To the Petroleum Research Fund of the American Chemical Society. **Underwriters**—Expected to be Lehman Brothers, Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Smith, all of New York. **Offering**—Expected in November.

Venezuela (Government of)
July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

Virginian Ry.
Aug. 26 the directors approved a proposal to exchange 2,795,500 shares of 6% cumulative preferred stock (par $10) for $32,148,250 new 6% subordinated income sinking fund debentures to mature Aug. 1, 2008 on the basis of $11.50 principal amount of debentures for each preferred share. Offer began on Nov. 17 and will expire on Jan. 16. **Dealer-Manager**—Harriman Ripley & Co. Inc., New York.

• Vita Food Products, Inc.
Dec. 3 it was reported that the company plans to issue approximately 15,000 shares of common stock. **Proceeds** —To acquire Mother's Food Products, Inc. **Underwriter** —Granbery, Marache & Co., New York. **Registration**—Expected in about 10 days.

★ Washington Water Power Co.
Dec. 1 it was reported that the company plans early registration of $15,000,000 of first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—Kidder, Peabody & Co., Blyth & Co., Inc., White, Weld & Co. and Laurence M. Marks & Co., all of New York. **Registration**—Expected Dec. 9.

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).

Our Reporter's Report

Astute observers are becoming more impressed by the behavior of the seasoned bond market as time goes on. They are quick to point out that any real emphasis appears to be on the side of resistance to selling pressure where it develops.

Not too long ago the reverse was true. Each time the market attempted to stick its head up, it appeared to attract new liquidation. Currently, trading seems to dry up when the list, that is the gilt-edge end of the market, tends to slip off a little.

And the better feeling seems to be spilling over into the new issue market. Things look better in that direction, but it should not be assumed that prospective buyers are in any mood to "reach" for a particular piece of merchandise.

Rather it appears that if the price is right, and the yield more or less in line with what buyers are looking for, a given undertaking will get considerably more attention than was the case a brief spell back.

At current price levels, it appears there has been some noticeable change in the thinking of those who manage the portfolios of large investing institutions. Loaded with cash, they seem to be more willing to add a bit to their holdings rather than close the books for the year with idle funds of too substantial proportions.

So where the price is right, buyer and seller are more likely to get together than they have been for many weeks.

Pacific Gas 4½s

Pacific Gas & Electric Co.'s offering of $65 million of first and refunding bonds, due 1990, found investment bankers thinking pretty much along the same price lines when bids were opened.

The top bidder paid the company a price of 99.301 for a 4½% interest rate. The runners-up sought the big issue on a bid of 99.2299 for the same coupon rate. This was an indicated spread of only a little over 70 cents per $1,000 bond or $45,500 on the entire issue.

Upon reoffering at a price set to yield 4.50%, it was reported that the bonds were really moving. In fact the Street termed the response "very good" and the issue one of the most heartening in some time.

Fair Week Ahead

Two public utility debt offerings and an issue for Metropolitan Toronto will round out next week's fixed-term debt calendar. But several sizable equity operations will help swell the total.

On Tuesday, bankers are slated to offer $26,559,000 of debentures of Metropolitan Toronto for public sale. On the same day Southern Bell Telephone Co. will open bids for an offering of $70 million of debentures, if present plans hold.

And on Wednesday, Philadelphia Electric Co. is scheduled to receive bids for an offering of $50 million of bonds.

Subscription books are slated to open Monday on Northwest Airlines Inc.'s offering of preferred stock to its shareholders on rights. The company seeks to raise $11,226,000 through the sale of its $25 par preferred at the rate of one share for each three shares of common held. Any unsubscribed shares will be taken down by underwriting bankers.

On Thursday, bankers will make one of the biggest of recent secondary offerings when they bring to market 2,410,000 shares of the Upjohn Co., for the account of selling stockholders. None of the proceeds accrue to the company.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—President Eisenhower, in a little more than a month from now, will send his sixth and one of his largest budgets to Congress. The big telephone directory-size document is expected to call for $72 billion plus in expenditures for the fiscal year starting July 1.

The defense program for the next fiscal year is expected to be the greatest in peacetime history. Secretary of Defense Neil H. McElroy recently acknowledged that it might run $1 billion or more, but less than $2 billion, than the current 1959 fiscal year. Congress authorized $42 billion for the current year.

Thus, it is obvious that most of the proposed expenditures in the forthcoming budget will be for the defense of the country. Meantime, President Eisenhower has directed that all departments, bureaus and agencies hold their expenditures to a minimum for the coming year in view of the tremendous deficit that is shaping up.

Budget's Impact on Nation

Every agency in Washington at this time is busy in preparation of the budget. The budget is an important document. Why? Because it has a tremendous impact upon the economy of this country. It affects the social and economic affairs of all the people in the United States.

Perhaps from a percentage standpoint, the population of the country is unfamiliar with the reasons why there is need for a budget. The budget, as former Budget Director Harold D. Smith, once said, is only a process and in no sense an end in itself. Nevertheless, he said it plays a vital role in the management of government affairs.

Preparation of the budget, as an annual work plan of the Federal Government, is the joint effort of all Federal agencies. All of the long hearings and studies by the various agencies, bureaus and departments, merely prepares the ground work for Congress. Congress must make the final decision in accordance with the Constitution. When the President has transmitted his budget to Congress, the estimates are studied by the House Appropriations Committee, acting principally through subcommittees.

Deficits May Continue

The Democratic Congress at the 1958 session appropriated more funds than any peacetime Congress has ever appropriated. As a result there is going to be a huge deficit of some $12 billion by June 1, 1959, according to fiscal experts at the Treasury Department.

At the last session Congress raised, rather than lowered the President's budget. It could be that the new Congress, overwhelmingly controlled by the Democrats, will reject some of the asserted thrift plans that are scheduled to be included in the forthcoming budget.

On the Senate side of Congress, two of the most powerful figures in fiscal affairs, are Senator Harry F. Byrd, Democrat of Virginia, and Senator Styles Bridges, Republican, of New Hampshire. Certainly the American people can depend on these two Senators doing what they can to hold down spending. Nevertheless, there will be a lot more spenders in the forthcoming session than the number interested in a balanced budget.

It appears safe to predict that the new budget will provide for continued "push button" defense spending. Big business and little business will be interested in the President's recommendations. There is speculation that there will be "neglect" to a certain extent of the "conventional forces" like the Army and Navy, in order to further push the "push button" defense operations. In the last three or four years the size of the Army has been reduced from 15 divisions to nine or 10. However, it seems unlikely it will be further reduced at this time.

May Raise Gasoline Tax

President Eisenhower is expected to ask Congress to continue the present taxes. He may also request the lawmakers to raise the gasoline tax to keep the Interstate Highway construction program moving ahead on "schedule." The primary and secondary road programs have priority and those programs will continue uninterrupted. But the Federal Government is putting up 90% of the money for the 41,000 miles of divided, multilaned, access - only interstate highways. The cost is going up.

Hoover Commission's Views

Congress has thus far turned thumbs down on the proposal of the Hoover Commission of several years ago which recommended that all budgets should be kept on an accrual basis, and all appropriations should be limited to the amounts spent in any one year.

The Hoover Commission, with sound businessman reasoning, felt that the current practice of letting Federal agencies pile up billions and billions of dollars for several years, until spent, was unsound. Under the recommendation, the amount appropriated in any one year to a Federal Department or agency would be spent, or it would revert to the Treasury.

President Eisenhower and the Republican executive administration came into office originally with a promise that expenses would be cut, and taxes reduced, if at all possible. The result has been that the Eisenhower administration made a passive effort to reduce expenses, but no all-out effort has ever been made by the Administration to really cut expenditures.

Spenders Prevail

Certainly the Democratic controlled Congress of the past few years has done nothing to reduce expense. Sure, there have been members of the Senate like Senators Byrd and Bridges and Representatives Howard W. Smith of Virginia and William M. Colmer of Mississippi, the No. 1 and No. 2 men, respectively, on the House Rules Committee, that have tried, with numerous colleagues of the Senate and House, to reduce the extravagant expenditures. But they have been clearly overpowered like a powerful collegiate football team would run over a high school team. Their efforts have been to no avail.

Fixed Expenditures

There is one paramount thing that perhaps not many Americans realize about the Federal budget. Most of the domestic spending, other than the Defense Department, is already fixed by law. This of course includes pensions, Veterans Administration, payment of $7.5 billion in interest payments on the Federal debt, and many other things. Of course there could be made many cuts, but the big items in reduction would have to come from the Defense Department and foreign aid.

The bigger the Federal budget and spending, the greater the inflation. If Congress does not see fit to implement a Hoover Commission recommendation to curb spending, it should create some kind of fiscal policy designed to cut the Federal deficit.

There will be no marked changes in Senate committees in the next Congress which deal with monetary affairs. Senator Byrd will continue as chairman of the Senate Finance Committee, but the facts are he is about the only real conservative Democrat on the committee. The other incumbent Democrat members are Senators Robert S. Kerr of Oklahoma; J. Allen Frear of Delaware; Russell B. Long of Louisiana; George A. Smathers of Louisiana; Clinton P. Anderson of New Mexico; Paul H. Douglas of Illinois, and Albert Gore of Tennessee.

Senator Carl Hayden of Arizona will continue as chairman of the Senate Appropriations Committee, and Senator J. William Fulbright of Arkansas will again head the Senate Banking and Currency Committee.

On the House side of the Capitol, Representative Clarence Cannon of Missouri, will continue as chairman of the Appropriations Committee; Representative Wilbur D. Mills, chairman of the powerful Ways and Means Committee. The lineup in the House Banking and Currency Committee, which Representative Brence Spence of Kentucky has headed, will continue pretty much the same.

All Senate and House committees, of course, will have more Democrats on them because of the November general elections when the Democrats swept the country.

[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

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Business Man's Bookshelf

Alaskan Market—Report—J. Walter Thompson Company, 420 Lexington Avenue, New York 17, N. Y.

Benjamin Strong, Central Banker—Lester V. Chandler—The Brookings Institution, 722 Jackson Place, Washington 6, D. C. (cloth), $6.00.

Credit Manual of Commercial Laws, 1959—National Association of Credit Management, 229 Fourth Avenue, New York 3, N. Y. (cloth), $12.00.

French Economic Assistance in West and Equatorial Africa 1948-1958—Press Information Service, French Embassy, 972 Fifth Avenue, New York, 21, N. Y. (paper).

General Semantics of Wall Street—John Magee—John Magee, Publisher, Springfield, Mass.—cloth—$12.

Government Development Bank for Puerto Rico—Annual Report—Government Development Bank for Puetro Rico, San Juan, P. R. (paper).

Ken Butler's Layout Scrapbook—101 publication layouts—The Butler Clinic, West Washington Road, Mendota, Ill., $3.75.

Laugh Book—Containing reprints of cartoons and quips—Precision Equipment Co., 4411 F Ravenswood Avenue, Chicago 40, Ill. (on request).

Soviet Economic Offensive: The effect on our Investments—J. R. Williston & Beane, 115 Broadway, New York 6. N. Y.

Toward European Convertibility—Randall Hinshaw—International Finance Section, Department of Economics and Sociology, Princeton University, Princeton, N. J. (paper), on request.