ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 188 Number 5802 | New York 7, N. Y., Thursday, December 11, 1958 | Price 50 Cents a Copy

EDITORIAL

As We See It

Numerous commentators, some of them having recently visited Russia, have of late warned the American people that our main concern about the Kremlin should not be centered on things military as such so much as upon things economic. They have been impressed by Mr. Khrushchev's repeated assertions that he will "bury" us in the race for future economic supremacy, and by the grandiose programs laid out for the next half decade or more. They fear not only the effects of such economic and industrial progress as they believe Russia is likely to make in the years immediately ahead upon the relative military strength of the two countries, Russia and the United States, but also and more particularly the influence that such progress in Russia would have upon the minds of various "neutral" countries of the world. And some of them add that "we are already losing that race."

We had some observations to make in this column in our issue of Nov. 20, last, about what we must do to be certain of being saved. We ventured upon that occasion to call attention to certain nonsense elements in all of these "grandiose" blueprints, and also to indicate, in any event, some of the things that we should consider absolute musts if we were to do all that lay within us to match and to outdo the Russians in the field of economic advance in the decade immediately ahead—steps that we should take quite regardless of the Kremlin. We must, we then asserted, cease to waste so much of our energy and our substance upon the production of goods not wanted by any one with the means and the will to buy them, farm products being an obvious example. Another instance was

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Outlook for Bond Market

By ROBERT VAN CLEAVE*
Vice-President, Research
C. F. Childs and Company, New York City

Mr. Van Cleave concludes next year's interest rates and bond yields will follow a generally upward trend with probably wide swings around that trend. In so doing, he assumes for 1959 non-inflationary, non-booming prosperity engendering a greater need for cash than supply; notes Treasury's immense refunding and need for new funds; contemplates less new reserves, at a higher cost, will be supplied by the Fed and that the banks will have to finance themselves by selling some of their securities; and finds significant the psychological and speculative character invading "the sober, staid and stable U. S. Government securities market." The author advises that these wider, severe reactions, must be taken into account in forecasts on bond and money market outlook.

I shall follow the usual procedure and consider, first, the business outlook, with its implied need for money and capital funds; second, the Treasury, its policies and problems; and third, the Federal Reserve System and what action it may be expected to take. In addition, there is a fourth point, which during the past 13 months has had an extraordinary importance. This concerns the technical situation and the psychological attitudes of those concerned in bond and money markets.


Robert Van Cleave

I assume that we are presently in a rising phase of the business cycle which will continue through 1959. I think, and I strongly hope, that it will be no more than a tide of rising prosperity; that it will not be a "boom," and that it will not involve "inflation." I put "inflation" in quotes because to many it has a special meaning. So, I look for conditions which

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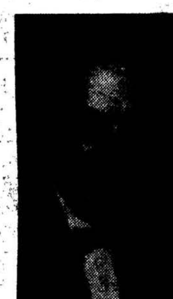
*An address by Mr. Van Cleave before the Dean's Day Homecoming for Commerce Alumni, New York University, New York City, Dec. 6, 1958.

The SEC and Small Business Investment Companies

By EDWARD N. GADSBY*
Chairman, Securities and Exchange Commission

In the new field of small business financing, opened up by the Small Business Investment Act of 1958, the SEC intends to be elastic in applying exemptive powers granted in new Section 3(c) of the 1933 Securities Act, Section 6(c) of the Investment Company Act, and the new provisions of the Trust Indenture Act. Mr. Gadsby explains the factors that must be considered regarding such exemptions as: private offerings, private placements, $300,000 limitation, requirements of asset coverage on debt and issues under the Trust Indenture Act.

I have been asked to discuss how the disclosure and regulatory statutes administered by the Securities and Exchange Commission will affect small business investment companies operating under Public Law 699, commonly referred to as The Small Business Investment Act of 1958. This will involve a bit of crystal ball gazing on my part since the extent to which the various Securities Acts are pertinent to this new situation will depend somewhat upon factors as yet unknown in the sense that they cannot as yet clearly be defined or analyzed, and it may be that the practical application of the statutes will show difficulties now wholly unforeseen. However, in many respects, our course is perfectly clear, and it is equally clear that the corporate manager, the financier and the lawyer must give careful consideration to the impact of the Securities Acts when planning to proceed under the 1958 legislation.


Edward N. Gadsby

The first step in setting up the machinery under this

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*An address by Mr. Gadsby before the Briefing Conference on the Small Business Investment Act of 1958 sponsored by American Management Association, New York City, Dec. 1, 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 40.

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

Atlas Powder Company — Ben Gaynes, Jr., Partner, Sprayregen & Co., New York City. (Page 2)

American Research & Development Co.—Thomas W. L. Cameron, of Hopper, Soliday & Co., Philadelphia, Pa. (Page 2)

BEN GAYNES, JR.

Partner, Sprayregen & Co., N. Y. City
Members of New York Stock Exchange and Chicago Board of Trade
Associate Members of American Stock Exchange

Atlas Powder Company

At present levels, 70, the common shares of Atlas Powder seem to offer the most attractive profit possibilities of any of the chemical equities. With a sales base broadened and directed toward expanding markets, all three facets of company operations—explosives, chemicals, and activated carbons — should undergo considerable improvement in both sales and earnings during the forthcoming year. Activities are directed by an alert management which is extremely research minded and cost conscious.

Ben Gaynes, Jr.

Formed in 1912 as the result of an anti-trust action against du Pont, Atlas Powder has never had a losing year, and with the exception of 1933, dividends have been on a continuous basis. Per share earnings for this year should be in the vicinity of \$3.50-\$3.75. This would compare with 1957's \$5.30 which included a special tax adjustment of approximately 48¢ a share. Cash earnings are estimated at about \$7 a share. The \$2.40 annual dividend rate of the past three years has remained, and is expected to remain constant. Finances are strong; at year-end 1957 working capital was equal to \$24 a share with a current ratio of 3.3 to 1. Long-term debt is relatively negligible and will approximate \$3.5 million Jan. 1, 1959. Although further financing remains a definite possibility in view of the current rate of capital expenditures, it is generally thought that it will be short-term in nature.

It seems quite probable that per share earnings will return to prior years' levels shortly. Improvement has been noted during the year what with reported progressive quarterly earnings of 71¢, 95¢ and \$1.20. A conservative three-year projection of sales, per share earnings, and cash earnings would conceivably result in figures of \$100,000,000, \$6.25, and \$11, respectively. In the opinion of the writer the market has not accurately appraised the revitalization of earning power, the research and development achievements, nor the company's future possibilities.

Explosives still remain predominant, 60% of sales, and Atlas shipment account for between 20 and 25% of total industry output. The company produces a wide variety of blasting agents and equipment. Strip mining, construction, quarrying, underground mining, seismic prospecting are found among the products major uses. These high explosives include Gelatins, Semi-Gelatins, Nitroglycerine-Dynamites, and Ammonia Dynamites. Over-all profit margins of this division have been affected somewhat by the popular general use of Ammonium Nitrate—an agent less expensive grade-for-grade than Nitroglycerine Dynamite. Industry spokesmen have estimated that this product will account for approximately 30% of the previous conventional explosive market. Atlas has been responsible for some major developments in blasting techniques. Notable of mention are Masonite electric blasting caps, The RockMaster Blasting System, and the Shotmaster Blasting Machine.

Although the company was somewhat behind the other major powdermakers in aggressively entering the chemical field, Atlas has developed a wide variety of organic chemicals, and this division is steadily growing in importance to the corporate future. These chemicals fall into three categories — Sorbitol and related Polyols, Surficants, and Polyester resins and molding compounds. Sorbitol, produced by reduction of sugar with hydrogen, is a moisture stabilizing agent or humecant. As so it is utilized by the glue, textile, paper, food, pharmaceutical, cosmetic, and other industries. Almost endless are the varieties of surficants and the forms in which they have been marketed. Surficants main purpose are to bring surfaces together closer, faster. They are used in almost every type of textile wet-processing operations, as a base for over 2 billion pounds annually of household detergents, emulsifiers for cosmetics and pharmaceuticals, water based paints, and limitless other applications. It should be noted that surficants are to a large extent individual in nature and thus few have been found to be suitable for multiple purposes. Thus competition in this field has been reduced to the research level.

The final segment of operations concerns itself with activated carbons. These are manufactured forms of carbon having a large specific area and designed for absorption. As a decolorizer they have found major use in the refining of raw cane sugar; as an absorber of impurities producing odor and taste, these agents are finding increased application in the treatment of municipal water supplies. In the soft drink and brewing industries where taste free and substantially sterile water is essential, sterilization is effected by heavy chlorine treatment. The use of activated carbons has reduced the removal of residual chlorine as well as odors and taste to one operation. Another use of extreme importance to these latter industries is the absorption of impurities causing haze in a liquid product on long storage or on chilling.

Atlas Powder is well managed, strong financially, and possesses products and techniques which guarantee its future growth. Selling well below its previous highs, the common issue of some 754,617 shares, unencumbered by a preferred issue or heavy debt, offers an unusual opportunity for capital enhancement.

THOMAS W. L. CAMERON

Hopper, Soliday & Co., Philadelphia, Pa.
Members Philadelphia-Baltimore Stock Exchange

American Research & Development Co.

An analyst in setting up the criteria for an ideal investment would include factors such as the stature of the company within its industry from the standpoint of quality of the product mix, patent protection, and excellence of the management. Preferably the company would be in an industry with a high growth factor. A high dividend payout would be desirable. His ideal would be rounded out if such a stock would be selling at a substantially undervalued price which would clearly indicate that all the above considerations have not been fully realized by the investment public.

T. W. L. Cameron

I believe that the common stock of the American Research and Development Corp. clearly fulfills all the above criteria, and thus I nominate it as "The Security I Like Best."

American Research and Development is a premier company in the research and development "industry." A.R.D. is the only publicly-held venture capital enterprise in the United States which qualifies as a regulated, closed-end investment company. The principal aim of A.R.D. is to produce capital appreciation by helping to develop the profit potential of growth companies, primarily in highly technical fields. Most of A.R.D.'s funds are invested in companies engaged in the fields of electronics, nucleonics, chemistry, mechanics, instrumentation and specialized equipment. As a venture capital enterprise, A.R.D. does not invest in the ordinary sense. Rather it creates by taking calculated risks in selected companies in whose growth possibilities it believes, aiding them with both capital and management consultation. A.R.D.'s aims are indeed bold, particularly in the exciting, sometimes rewarding, but always difficult technical fields. An investor would indeed be fortunate to buy a successful "package" in this field.

I believe the measure of A.R.D.'s success in its effort to achieve capital growth is revealed in the net asset value per share. A.R.D.'s total net assets on Nov. 21, 1958 can be estimated at \$13,500,000, of which about \$1,000,000 is in cash and \$12,500,000 represents the fair value of A.R.D.'s portfolio holdings. This represents a net asset value per share of \$45.76 on the 295,000 shares outstanding, and compares with a \$38.34 value on June 30, 1958. The value was \$33.30 on Dec. 31, 1958 after a distribution equal to \$1.60 per share. This is real performance.

I emphasize the \$1.60 value of the 1957 dividend because this

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Competition vs. Monopoly

By GEORGE ROMNEY*
President, American Motors Corp., Detroit, Mich.

Declaring industrial concentration, not inflation, is our biggest economic problem, Mr. Romney advocates amending our anti-trust laws so that the most efficient companies, such as General Motors, would be divided up when the number of competitors becomes too few. The auto head would also subject unions to antitrust legislation without lessening equality at the bargaining table. The industrialist opines that the consequence of the organization of "power to meet power" is government domination, starting with wage-price controls to end the ever present wage-price spiral, which still would leave unsolved the conflict of excess concentration of labor, industry and governmental power with our economic laws. He berates political parties for not differing on basic issues, condemns union and corporate pressured political contributions, and calls for men willing to speak out.

I don't think the smaller car in America is a treat to the petroleum market. I think the greater threat is that if any industry gets out of tune with the economic facts of its market, that market begins to dwindle—and I'm personally convinced that the automobile market is in the process of its third big major change. It's a fundamental change that relates to the pattern of car use, which has reshaped our highway thinking in this country in the last few decades — and it has reshaped our concept of product.


George Romney

It happens that my company is still alive because we have refused to be imitators. If we had continued to try to imitate, we would be dead. We have been in difficulties. We think we have some appreciation of what Carlyle said: "When it is dark enough, the eternal stars shine forth."

We have seen a lot of red ink, but at no time during that period have we given serious consideration to asking Washington for any help. I worked in Washington long enough to know that most of the legislation we get and most of the government we get is the result of segments of industry, or our citizenry, running to Washington for special help. As far as I am concerned, American Motors is either going to live or die on the basis of its ability to render services or to build products that free customers want to buy.

K. T. Keller, former president of Chrysler Corporation, once voiced my favorite definition of a competitor. He said: "A competitor is a man who goes in a revolving door behind you and comes out ahead of you."

I think we are at a point where we must voice our basic thinking, and I'm gong to try and do that as best I can.

I think the situation we are confronted with justifies using Lincoln's words as preface. He said: "The dogmas of the past are inadequate for the stormy future. The occasion is piled high with difficulty, and we shall rise to the occasion. As our cause is new, so we must think anew. We must disenthral ourselves to save our country."

As background for the specific comments I want to make, I'd like to recall three observations. I had a conversation recently with a man whom I think knows as much about domestic and international affairs as anyone of my acquaintance. In discussing the international situation, he said: "The most vulnerable thing on earth is entrenched success."

Thornton Wilder's observation is also pertinent: "Every good and excellent thing stands moment by moment on the razor edge of danger and must be fought for."

The third is Walt Whitman's statement: "It is provided in the essence of things that every fruition of success, no matter what, is followed by something to make a still greater struggle necessary."

America's unparalleled success—we have entrenched success all over the land—is now confronted by "somethings" requiring far greater struggles than those that conquered this country physically and produced our economic abundance and world power. We are confronted with external "somethings," and we are confronted with internal "somethings."

On an external basis, we are confronted with the Russian challenge, which is both tangible and intangible. It's tangible not only in the military sense, but also in that the Russians have thrown down the gauntlet in the field of our presumed specialty—the production of goods. They have declared without reservation that they expect to beat us in the ability to produce goods that people want. We are also engaged in a battle with them of an intangible character — the battle for men's minds in the field of ideas.

I happen to think the internal "somethings" we face are more serious than the external "somethings" we face. After all, there is no real weakness except from within.

Before listing the principal internal "somethings" which I think we face—which are the re-

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*An address by Mr. Romney before the Annual Meeting of the American Petroleum Institute, Chicago, Nov. 10, 1958.

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Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, December 11, 1958

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613).

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

Subscription Rates

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

Other Publications

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

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

Observations . . .

By A. WILFRED MAY

WALL STREET ON THE COUCH

This column now fortunately finds itself suddenly blasted "off-the hook" on which it may have been hung through possible past overemphasis of the Freudian influence over Wall Street. Whereas we have been occasionally stressing some of the psychological elements controlling the market place, John Magee, known as an authority on the technical aspects of security and commodity markets now arrives on the scene with an 88-chapter on a study of the whole matter of emotional perception, not only in market doings, but in all aspects of life. **("The General Semantics of Wall Street," by John Magee,** 423 pp., John Magee, Springfield, Mass., $12.)

A. Wilfred May

It is the author's premise that many ruinous mistakes made by investors result not through ignorance of the market, but because their emotional responses are both illogical and out of line with their own best interests. (This approach off the beat-the-market area was also essayed by Linhart Stearns in a succinct volume, "How to Live With Your Investments," published by Simon and Schuster in 1955). It is to be hoped that the investment community has the good sense to forsake its prejudice against reading outside of the "how-to" category.

While, as the author states in his preface, this essentially is not a book on psychiatry, it does detail the relevant elements of human behavior, along with relating our hopes, fears, prejudices, and general foibles, to the stock market. "Why do people, knowing better, get themselves into terrible financial situations?" and "why aren't we able to use our own intelligence more effectively?" are two key questions intriguingly attacked. As revealed by its title, the volume is tied to the field of study, called General Semantics which is concerned with how people perceive the world around them and how they adapt to or cope with their environment. Its scope far transcends the stock market, and even material considerations in general — involving emotional and psychological forces that affect every angle of life, including play as well as business, and family relations. The author frankly states that it is not only in Wall Street that we fail to realize our full potentialities, but as well on Main Street in the offices and stores where we work; and in our daily struggling with the problems of personal and interpersonal relations.

"Why Are You in the Market?"

Typical of Mr. Magee's "analyzing" (if not of the full *psycho* variety) is his handling of the question "Why are you in the market?". While the uniform answer "To make money" has some truth in it, it is grossly inadequate. Controlling factors, not fully realized, which make market playing activities attractive, embrace social elements, including congenial company in the board room, escapism from home worries, the opportunity for pitting one's self against the "big shot" forces of "the market," and the provision of a ready audience for whatever victories one achieves (or claims to achieve). Although this column is without recent experience in board room ticker-gazing, it will take the author's word for it that a good part of the board room chatter comes under the head of "talking to one's self," and that it is for the specific purpose of bucking up an apprehensive "self" midst personal fears and doubts.

"Profits Can Be Painful, Too"

Under this intriguing caption, a chapter is devoted to the brain-washing to which the capital appreciation-laden individual may subject himself in arriving at a decision whether to turn it into cash. "It may well be that sufferings of the trader who has a big profit are more intense than those of a loser," says Mr. Magee, elaborating that it may hurt him too much to see soy beans go up after they have been sold (the anguish of a sold-out bull) with it also hurting too much to see them go down if one decides to hold.

The author sophisticatedly points out that it is much easier, psychologically, to sell on the way up than after the stock has reacted from a higher peak. It is more comfortable to sell your beans when they have *first* reached $3.00, than to let them go to $3.50 and then sell out at $3.20. While in the second case one would be making a good deal more money; in the first case, that is selling on the way up before the price has "gone against you" for 30 points from a higher level gives you the chance to say, "Well, I got my profit; let the other fellow have his." This leaves the self-esteem looking pretty sharp, while in the second case you are forced to face the fact that you didn't call the turn at "the top."

"Defenses" Supplied

The author also supplies convenient suggestions for rationalizing psychological "defenses" against losses, as through charging that "the market is manipulated," or perhaps that the information given him was distorted, all "verifying" the comforting thought that it is "not me" that is at fault.

What's "Good" and "Bad"?

Perhaps the most semantically significant chapter, captioned "The Up-and-Down Of It," is devoted to the foible of characterizing a rising market as "good," and a falling one as "bad." While it is assumed to be "good" for stock prices to go up, this overlooks the fact that this may mean that the exchange value of the dollars is going down; with such inflation actually being "bad," not "good".

Soul Searching Media

"Would you say that a good many are so worried over the possibility of being 'proved wrong' that they are able to realize their full potentialities in being 'profitably right'"? the author leadingly asks. This is a typical example of the five or six questions put to the reader at the end of each chapter.

Here some others of these highly constructive "Questions For Consideration."

"Is it harder for you to reach a decision to sell if you have a loss than if you have a profit? Why? Do you think the market knows or cares what you paid?"

"Do you consider each loss as a personal humiliation? Or do you consider your losses as a whole against your gains as a whole? Which would you think might give you a more realistic picture of your operation? Which would be less painful to you?"

"How much of your interest in the market is involved with your need to feel adequate? To what extent are you seeking to make money, and to what extent is money a symbol for your ego?"

"To what extent are you influenced by the feeling that 'income' from dividends is 'good,' and 'profits' from speculative changes in a stock's price 'bad'"?

* * *

Some flaws, as spots of superficiality and over-simplification, Mr. Magee's opus may contain; but this volume's exploration of the semantics of the Street definitely constitutes a solely needed addendum to the current bull market output of Wall Street literature.

Edward Flynn With H. M. Byllesby & Co.

CHICAGO, Ill.—H. M. Byllesby and Company, Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange, announce the association of Edward S. Flynn with their firm and his election as a Vice-President.

Mr. Flynn who has been in the investment business since 1923 was formerly associated with The First Securities Company of Chicago since May of 1957. From 1931 to 1957 he was with Kneeland & Company, Chicago. Prior to that time, he was with H. O. Stone & Company as Assistant Treasurer.

J. R. Williston & Beane To Admit Lowey

J. R. Williston & Beane, 115 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Frederick W. Lowey to partnership. Mr. Lowey is manager of the firm's sales department.

The State of Trade and Industry

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

Indices of industrial production for the nation as a whole in the latest week continue to show increases for the most part.

Steel production in the current week is scheduled to rise fractionally to an estimated 74.7% of ingot capacity. "The Iron Age," national metalworking weekly, stated in its current issue, that inventory-cutting during the recent recession was the biggest in history and placed cutbacks by steel users at about 11,000,000 tons compared with about 8,000,000 tons during the 1954 recession. Steel stocks at the beginning of the fourth quarter it noted, were estimated at 12,000,000 tons, or the lowest since 1950, when the national economy was much smaller than it is today. Most steel consumers, it observed, have now begun to rebuild their stocks.

Turning to finished steel products, shipments during October totaled 6,224,540 net tons or nearly 16% more than in September and the highest since October a year ago, "American Iron and Steel Institute" announced on Thursday of last week. The September shipments came to 5,386,292 net tons and the October 1957 total was 6,550,690 net tons.

During the past 10 months of this year, the "Institute" reports, shipments totaled 49,226,073 net tons against 69,155,531 net tons during the same months of 1957.

In the field of electric energy, kilowatt output in the week ended Dec. 6, set an all-time high record at 13,017,000,000 kwh. compared with the previous all-time high of 12,851,000,000 kwh. in the period ended Aug. 16, 1958.

Automotive output snapped back the past week by showing gains of 20% and 13% respectively for cars and trucks following the Thanksgiving holiday and strikes at Studebaker-Packard and International Harvester.

In the construction field, during the first three weeks of November, plans for private heavy construction projects had a total estimated cost of $523,000,000. The final week's total probably will top that of October, according to Engineering News-Record. If so, it will mark the fourth consecutive monthly rise.

Reporting on wage increases in the soft coal industry, "Steel" magazine this week says to look for the soft coal operators to absorb most of the $2-a-day increase in wage rates to be granted the United Mine Workers. Some bituminous is sold under contract with an escalator arrangement which will permit the coal industry to recover its added costs, but operators expect they will have to go back to old prices when new contracts are signed, many of them in the first few months of 1959. "There's just too much coal around," complains one producer.

The nation's employment situation in the week ended November 22 reveals that the number of workers drawing unemployment compensation fell by 18,300 to a new total of 1,756,900, according to the United States Department of Labor.

The agency stated the rate of insured unemployment held at 4.2% of the labor force, the same as in the previous week. In the like week of 1957, the rate of insured unemployment was 3.7%.

The latest total of workers drawing compensation was higher than the 1,519,500 total in the corresponding week last year.

Initial claims for unemployment insurance, an indicator of new layoffs, fell by 27,300 in the week ended Nov. 29, putting the total at 302,500. The drop was attributed to the closing of claim offices for the Thanksgiving holiday. In the corresponding week of 1957, new claims totaled 329,500.

In the steel industry users could find themselves in a tight spot from an inventory standpoint about the time steel labor contracts expire next summer, "The Iron Age," national metalworking weekly, stated on Wednesday of this week.

It reported that metalworking plants have cut their stocks to the point where even the buildup now gathering steam may not be enough to provide much of a safety margin in case of a strike in steel and added that the odds favoring a strike are about 65-35.

The metalworking magazine said its appraisal of the outlook is based on estimates of steel analysts that steel inventories are now at their lowest point since before 1950. Even with an expected buildup of four million tons in the first half of 1959, steel stocks on July 1, when steel labor contracts expire, will be slightly less than they were at the end of the 1956 strike.

If there should be a strike, the poor inventory position of steel users will put pressure on steel firms for a prompt settlement, "The Iron Age," added. It quoted industry sources to the effect that a steel strike could result in hardship for at least some steel consumers within a 30-day period and noted that the inventory-cutting spree during the recent recession was the biggest in history.

Industry sources estimate the cutbacks at something like 11,000,000 tons compared with a reduction of about 8,000,000 tons during the 1954 recession.

As a result, said "The Iron Age," steel stocks at the start of the fourth quarter were an estimated 12,000,000 tons or the lowest since before 1950, when the national economy was considerably smaller than it is today.

Continuing, it observed that most steel users have now begun to rebuild their stocks and probably will add about a million tons during the fourth quarter. This would bring the total to about 13,000,000 tons at year-end, according to one estimate.

Inventory rebuilding will be speeded up considerably after the turn of the year, "The Iron Age" predicted. Steel order books already have begun to reflect this as well as the steady improvement in the over-all business picture. The auto companies are playing a leading role in this reversal of inventory policy.

Steel analysts, according to this trade authority, figure steel

Continued on page 33

Well Heeled Shoe Company

By DR. IRA U. COBLEIGH

Enterprise Economist

An old and renowned shoe company, Endicott-Johnson, takes on a new look in merchandising and in the trend of its earnings.

While Whittier immortalized the "Barefoot Boy" in poetry, in real life the unshod among us have in our "affluent society" become virtually non-existent except during leisure and loafing hours at pools, seaside or lakeside. Thus it is that one of our sturdiest industries has been the manufacture of shoes; and one of the sturdiest manufacturers has been Endicott-Johnson Corporation which turns out some 34 million pairs of shoes per year, and ranks as the second largest producer of shoes in the United States.

Ira U. Cobleigh

While Endicott-Johnson offers shoes for men, women and children, in the medium and lower priced brackets, its forte has been in the supply of workshoes for men. It does ⅓th of the total business of the industry in this category, and addresses itself to what the U. S. Census Bureau calls the "Blue Collar" market. In case this phrase is unfamiliar to you, it refers to a working class composed of farmers, laborers, craftsmen, foremen and operatives totaling roughly 25 million men. And, so far as growth at Endicott-Johnson has been concerned, the problem has been that this blue collar market has not expanded with the population. In fact, it has dipped from almost 27 million as recently as 1951. In the past decade over two million men have left the farm; automation and the recent recession have also taken their tolls.

So, faced temporarily at least, with a rather static market, Endicott-Johnson had to develop a new business tactic if it were to expand its earnings. The best way seemed to be to perform more of the merchandising itself especially through direct-to-customer retail outlets. While it wholesales its products extensively to mail order houses and chain stores, and through jobbers and 25,000 retailers, it now has about 545 retail stores which it owns and operates. Further, Endicott-Johnson is about to introduce a new line of sports shoes so that it can reach the leisure time as well as the work-aday shoe market.

Endicott-Johnson is quite a complete manufactory. It tans its own leather, turns out all its sole and upper leather, makes rubber soles and heels, all-rubber footwear as well as canvas tops, and even makes its own shoe boxes. Its four plants in New York State have a combined capacity of 160,000 pairs of shoes per day and give employment to over 19,000 people. The founder of this distinguished enterprise, George F. Johnson, believed that a plant should be a pleasant and rewarding place in which to work, and that contented workers would turn out a superior product. He pioneered in providing above average wage scales, congenial working conditions, welfare and pension benefits. Accordingly, labor relations at Endicott-Johnson have been excellent.

Style is not a very important factor in workshoes and new purchases are thus not made on aesthetic grounds but, when the old shoes wear out. Blue collar workers are hard on shoes, however, so that there is an extremely dependable "repeat" market in workshoes even though demand is somewhat cyclical, tending to rise and fall with levels of industrial activity.

With the present market fetish for "growth" stocks, Endicott-Johnson does not, on the surface, seem to qualify. Its sales for 1958 (fiscal year ended Nov. 30) are probably in the order of $135 million, down from $146 million in 1957, and substantially below the $157.8 million all time peak sales in 1951. Further, per share net for 1958 will probably be about $1.90 against $2.97 last year. All of which does not make dazzling reading from the stockholders' viewpoint.

There is, however, a brighter side. The 1957-58 depression dip in sales and profits is over with. Sales are on the upturn, and the profit margin is rising due mainly to improved results from a more streamlined wholesale and retail sales organization. There is some reason, too, to now expect expansion in the total blue collar market. Our population is rising and it is reasonable to predict at least 1½ million men more in this labor category by 1960. All of which might create a sharp improvement in profitability even within so short a period as two years. If the stock earned $4 to $4.50 in fiscal 1960, it could comfortably pay a $2.50 dividend and would be entitled to sell substantially higher than today's market price of 33¼, yielding about 5% on a $1.60 dividend.

Dismissing for the moment the favorable future prospects for EJN, how has it acted in the past? It has proven to be one of the stablest equities on the New York Stock Exchange. From 1947 to date its maximum price swing has been between a low of 25⅛ (in 1953) and 38½ in 1958. In that period it has never paid a dividend of less than $1.60 and company practice is to pay out about ⅔rd of net in cash. The stock was split two-for-one in 1947.

A modest amount of leverage for EJN common is created by $5,911,000 in funded debt and $7,238,000 par amount of $4 preferred lying ahead of the 810,720 common shares. Dividends on the common have been paid without interruption since 1919 which accounts no doubt for the stable market which has, for so long, distinguished this issue.

If the shoe business does not require extensive research, like an electronic company, nor reach for new markets like a pharmaceutical enterprise, it does present a unique dependability of demand, diluted only perhaps by the fact that people today generally ride so much and walk so little. Most blue collar workmen, however, are on their feet; and if they're workmen, they're wearing out shoes.

It takes a lot of money to run a big shoe company like Endicott. Net working capital is around $44 million, and frequently inventories exceed the gross property account. At May 31, 1958 inventories amounted to $53.4 million while the property account stood at $48 million. For those who set great store on book value EJN looks very underpriced. Book value is about $71.50 per share.

For the conservative buyer for income the $4 preferred (callable at $100) is a solid item with the dividend earned nine times over in 1957. It sells currently at 81½ to yield 4.97%.

Many people who have heard about Endicott-Johnson shoes for years have never taken a look at the company's stock. It may surprise them to learn that EJN has paid dividends for a much longer period than many better known equities, that it had a quite rapid growth till 1930, and that its earnings potential is more attractive now than for a number of years. While enormous capital gain is not on the horizon, it could be logically argued that here is a stock which, in a highly animate bull market, has not been buoyed up to any fancy altitude, and reflects, in its current market price, no flight from statistical realities. Whereas a whole batch of eager electronic shares have soared to price-earnings ratios of from 25 to 1, to 40 to 1, EJN is selling conservatively on a 17 to 1 price earnings ratio. It is a peculiarly attractive equity for those who seek defensive qualities; and it is not devoid of reasonable prospects for an advance in quoted price and an increase in dividend distribution.

It will be a long time before "space boots" replace the old-fashioned shoe, and, until that interplanetary age becomes a reality, Endicott-Johnson should continue to do a pretty good job, just by sticking to its last.

W. E. Hutton & Co. To Admit T. C. Cafone

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Thomas C. Cafone to partnership. Mr. Cafone has been with the firm for some time in charge of the municipal bond department.

A. Kleine Co. Formed

CHICAGO, Ill. — Alexander Kleine & Co. has been formed with offices at 120 South La Salle Street to engage in a securities business. Alexander E. Kleine is a principal of the firm. He was formerly with Lehman Brothers.

NSTA NOTES

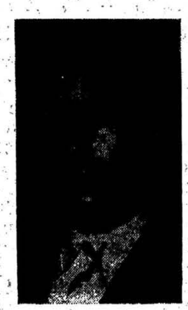
THE SECURITY TRADERS ASSOCIATION OF NEW YORK, INC.

At their Annual Meeting held Dec. 5, 1958, at the Bankers Club, the following members were elected for a one-year term starting Jan. 1, 1959:

Bernard J. Conlon

Barney Nieman

John S. Barker



Salvatore J. Rappa

Wilbur Krisam

President: Bernard J. Conlon, P. F. Fox & Co., Inc.

First Vice-President: Barney Nieman, Carl Marks & Co., Inc.

Second Vice-President: John S. Barker, Lee Higginson Corporation.

Secretary: S. J. Rappa, F. S. Moseley & Co.

Treasurer: Wilbur Krisam, John C. Legg & Co.

Directors named for two-year terms: W. J. McGovern, Blyth & Co., Inc.; F. J. Orlando, Goodbody & Co.; E. A. Smith, Stryker & Brown; and Bernard Weissman, Gold, Weissman & Co.

D. RAYMOND KENNEY, Chairman
Public Relations Committee.

The Role of the United States In Latin American Growth

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

State Department spokesman invites tax treaty negotiations which would liberalize our existing private foreign investment tax-incentive policy; discusses new proposals to stimulate an increased flow of public and private capital abroad; and suggests ways of improving international trade and technical aid. Mr. Dillon raises some blunt but important suggestions and searching questions regarding these matters, and notes the practical difficulties that have to be overcome regarding the newly proposed Latin American regional lending institution.

We are meeting here to examine the whole range of economic problems facing the American States with one objective in mind: to attain sound, stable expanding economies in Latin America with steadily rising standards of living. The United States is prepared to cooperate fully in a combined effort to achieve this goal.

C. Douglas Dillon

To succeed we will need to address ourselves to three major questions.

First, how can we enlarge the flow of capital into sound development projects in Latin America?

Second, how can we step up our joint activities in the field of technical cooperation, which is so essential to the development process?

And, third, how can we improve and expand international trade, upon which the good health of all our economies is increasingly dependent?

I would like to say a few words on each of these matters.

I

Enlarging the Flow of Capital

First, there is the proposal to establish a new lending institution which would concentrate all its efforts in promoting the development of Latin America. We have agreed that a Special Committee of Government Representatives will meet early in January of next year to negotiate and draft a charter for this institution.

The eventual success or failure of this institution will depend greatly on the wisdom with which its foundations are established. We have therefore given much serious thought to various alternatives regarding its nature and functions. There are many questions on which decisions will have to be reached by the Special Committee. For example, what sort of projects should this institution finance? Should it be devoted solely to productive development projects or should its resources be available also to help meet such needs as housing, schools and hospitals? Again, for example, should it make loans to cover some or all of the local currency costs of projects, and if so what limitations should there be on this type of lending?

Obviously, another major question to be decided is the capital structure of the institution. What is to be its authorized capital? In what form are the capital subscriptions to be made? Should there be some arrangement for spreading out the payment of this subscribed portion, or should payment be made in one lump sum? Should there be any limitations on the free use of any of the currencies received by the Bank as subscriptions, and if so, what should such limitations be? Under what conditions should the unpaid portion of the authorization be callable? How should the subscription quotas be allocated among the various member countries?

Finally, a very important question will be whether the institution should be authorized to make loans repayable in the currency of the borrower, and if so to what extent and under what limitations or conditions.

I have tried to indicate some of the issues to which our Government and, I am sure, your respective governments are giving serious consideration. Of course, this is not the time or place to reach conclusions on these issues. This will be done at the January meeting. In the meantime we expect to explore these matters in a preliminary way through consultations.

I would like to suggest that this new institution should be organized and operated so that it will work in the closest collaboration and harmony with existing lending institutions, both public and private. If this is done, it should make it possible for these existing institutions to increase their participation in development.

The Export-Import Bank has played a primary role in Latin America. Over the past decade about 40% of all Export-Import Bank loans have been made in Latin American countries. To date, the Export-Import Bank has authorized in excess of $3.5 billion in loans to Latin America, while presently outstanding commitments total $1.8 billion. This year the Congress authorized an increase of the lending authority of the Export-Import Bank from $5 billion to $7 billion. As a result, the Bank now has $2.2 billion available for lending. The factor of fundamental importance to Latin America is that the Bank is now in a position to continue a program of vigorous lending activity in Latin America in the period immediately ahead.

Sources for Public Loans

No one, I believe, has seriously suggested that the Export-Import Bank should expand its activity by lowering the economic standards applied to its loans. However, there have been some requests for loans to meet the local currency costs of projects, and for loans in dollars which could be repaid in local currencies. The United States has recognized the need for loans of this type, which are not suitable to the Export-Import Bank. Accordingly, it has established a new lending institution—the Development Loan Fund—with authority broad and flexible enough to make loans of this kind. We need to consider carefully how the Development Loan Fund can best be used to help and support the new Inter-American development institution.

Another source for public loans to the countries of Latin America is the International Bank for Reconstruction and Development, or World Bank. Its loans to Latin America are currently running over 150 million a year, and the total of such loans now approaches $1 billion.

The United States has recently made two proposals for strengthening the World Bank and enlarging its sphere of operations. Last month, at the annual meeting of the Bank's Governors in New Delhi, Secretary of the Treasury Anderson suggested, and it was agreed, that consideration be promptly given to the desirability of an increase in the capitalization of the Bank, so that it will have the resources needed to achieve a high rate of lending over the years ahead. He also proposed that consideration be given to establishing, as an affiliate of the World Bank, a new International Development Association which would be authorized to make loans repayable in whole or in part in the currency of the borrower in much the same way as our own Development Loan Fund.

The adoption of these suggestions will depend upon the attitude of other countries which are members of the World Bank and, in the United States, upon the approval of our Congress. The Bank is ready and willing to play an active role in Latin America, and the proposed enlargement of its capital would assure it adequate resources for the purpose.

The United States, then, is taking important forward steps to increase the flow of public lending to Latin America both through existing institutions and through the establishment of new ones.

Attracting Greater Supply of Private Capital

But public lending, no matter what our efforts may be, can never substitute for private initiative and private capital. Fortunately, the capital resources at the disposal of private enterprise are far larger than the amount which governments can ask their taxpayers to provide.

During the past three years the flow of new private capital from the United States to Latin America has averaged more than $600 million annually.

However, it is clear that more needs to be done if private foreign capital is to make its full contribution to the development of Latin America. We need to clear away the obstacles to the entry of private capital into countries desiring investment. And we need to provide, in greater degree, positive incentives to increased investment.

The removal of obstacles to investment is within the control of the Latin American countries themselves. What is required is the maintenance of a hospitable atmosphere in which private enterprise can operate with confidence.

Liberalized Tax Incentive

Turning to the question of fresh incentives to the flow of private capital, we in the United States are earnestly searching for new methods. We have asked a group of leading businessmen associated with our Department of Commerce to look at the problem and tell us what they, as businessmen, would like to see done in order to make foreign investment more attractive. We hope to get concrete and useful suggestions from their study. There is one new incentive, in the field of taxation, which we are already prepared to adopt, and which we hope may yield constructive results. Let me explain:

Under United States law, if a foreign government grants a special income tax reduction in order to attract the United States investor, that investor has to pay to the United States Government whatever has been waived by the foreign government. We are seeking to correct this situation so that tax benefits granted to induce investment abroad can retain their full effect. To accomplish this the United States Government is prepared to consider conventions which, with proper safeguards and restrictions, would contain a tax-sparing provision that would cure this situation. The only way to accomplish this result is by treaty. We invite negotiations.

There also are other kinds of agreements which help to improve the climate of investment and establish confidence. Among these are investment guaranty agreements, and treaties of friendship, commerce and navigation. The United States would also welcome negotiations on these subjects with Latin American countries.

Warns About Inflation

It will do little good to provide larger amounts of capital for development purposes if that capital is dissipated through unrestrained inflation. Inflation both wastes economic resources and leads to serious balance-of-payments difficulties.

There needs to be a better public understanding of the fact that inflation does not create resources; it simply transfers them from one group to another. In the process, it hurts those with fixed incomes and the poorer classes. It also kills the incentive to save and hence is the deadly enemy of economic development.

During the past year, inflationary pressure was one of the causes of the acute balance-of-payments difficulties which confronted many countries in Latin America. In cooperation with the International Monetary Fund, the United States assisted a number of the Latin American countries to bring these problems under control.

The International Monetary Fund was designed specifically to help member governments in temporary balance-of-payments difficulties through stabilization loans and effective technical advice. The Fund has a fine staff which is expert in analyzing fiscal and monetary problems and suggesting appropriate remedies.

Last month at New Delhi the Government of the United States proposed that consideration be given to the desirability of an increase in the quotas of the Inter-

*An address by Mr. Dillon before the Special Committee of the Council of the Organization of American States, Washington, D. C.

national Monetary Fund in order that it might be even more effective in the future in helping its member countries. This proposal was accepted and the Executive Directors of the Fund were asked to submit recommendations in the very near future.

II
Expansion of Technical Cooperation

Technical cooperation is the second major area in which we must all step up our activities if the development of Latin America is to be hastened. Surely it must be obvious that as economies grow and become more complex there will be a steadily increasing need for skills of all kinds. Economic development requires more than capital and modern machinery. It also requires technical and managerial personnel who know how to operate business and agricultural enterprises. It requires a literate and healthy population. It requires intelligent public administration.

For its part the United States is prepared to intensify its participation in technical assistance programs in Latin America — through its own bilateral programs, through the Organization of American States and through the United Nations programs.

There is, however, one aspect of technical cooperation to which I believe we should give special attention. This is the role which might be played by the proposed Inter-American development institution in the field of technical advice. In the past many development projects have failed to go forward either because they were not adequately prepared and engineered or because they were not well designed in relation to the over-all development needs of the country concerned. We believe that the proposed Inter-American development institution should be so staffed that it will be able to render its member countries technical assistance of this kind. If desired, the United States, through its technical assistance program, would be prepared to support an effort of this nature by the new institution.

III
Expanding International Trade

The third major area in which we need to intensify our cooperative economic endeavor is that of international trade. All of us in the community of American States live in an interdependent world. If we are to achieve a richer life for our people we must continuously enlarge the opportunities for international trade, both among ourselves and between ourselves and the rest of the free world. As a result of the recent action of our Congress in extending our Reciprocal Trade Agreements Act for a longer period than ever before, the United States is prepared to participate in negotiations to reduce further the barriers to international trade.

In our discussions of international trade I know that there are two subjects which are uppermost in your minds. One of these relates to trade in primary commodities, and the other to the possibilities for regional markets in Latin America. I would like to speak briefly to each of these.

Because the economies of the countries of Latin America are heavily dependent on exports of one or a few primary commodities, they can be placed in serious difficulties by sharp price declines for these commodities in world markets. The United States recognizes the importance of this problem. It understands and sympathizes with the concern expressed by Latin American countries on this subject. We are ready to join in the study of individual commodity problems which are creating difficulties to see whether cooperative solutions can be found. We have already done so in the case of coffee and more recently in the case of lead and zinc. We believe that effective international cooperation to avoid acute and recurring imbalances between supply and demand in these commodities can make an important contribution to our objectives.

This does not mean that we feel that easy solutions can be found. It does not mean that we have altered our view regarding the impracticality of rigid price stabilization schemes. It does mean that we feel that real gains can be made whenever we sit down together in good faith and discuss our common problems.

During the past year or so there has been increasing discussion about the possibility of establishing a regional market or markets in Latin America.

It has been the policy of the United States to encourage arrangements to achieve economic integration between two or more countries because it has believed that such arrangements, if correctly designed, can lead to increased competitive opportunities, greater productivity and a higher level of trade both within the area concerned and with other countries, including our own. In short, we have encouraged integration measures of a forward-looking, trade-creating nature, while at the same time opposing narrower arrangements which would serve to divert and restrict trade. Thus, we have supported the European Common Market and the proposed European Free Trade Area, while endeavoring to assure that the interests of outside countries, including those in Latin America, are adequately protected. We have also supported a free-trade area in Central America. We have also made it clear that we are prepared, through the Export-Import Bank, to consider the dollar financing required by sound regional industries in Latin America.

I think I can say with confidence that if proposals for regional markets in Latin America seem likely to result in genuine economic benefit for the countries directly concerned and in the long-run development of international trade, the United States will give careful study to them in relations to its commercial policies and trade agreements. We are also prepared to do what we can to help interested Latin American countries in framing arrangements for economic integration which would be economically sound. It is in this spirit that we have expressed our willingness to participate in the Committee of Experts which the Executive Secretary of GATT has suggested should meet in Washington to examine and discuss specific proposals in the field of regional economic integration in Latin America.

IV

Throughout their history the American Republics have shared the conviction that free peoples who respect the dignity of the individual and the equality of nations can, through cooperation, not only preserve their liberties and cultures but also build a better and fuller life for themselves and their children.

Today we live in a time of great danger to our way of life. It is also a time of great opportunity that challenges us to prove that our system of democratic freedom can yield the greatest material benefit to the individual as well as the greatest spiritual benefits.

Here on the American continent we have great resources and great determination. We have already accomplished much. In Latin America as in the United States we have experienced a dynamic economic expansion. If we all set ourselves resolutely to our task, if each does his share, and if we work cooperatively for an integrated program of development—not for just one part of it, omitting other parts essential to success—we can demonstrate that free peoples can out-produce enslaved peoples and can do so without sacrificing their way of life.

Vietor, Common, Dann To Admit New Partner

BUFFALO, N. Y.—Vietor, Common, Dann & Co., Ellicott Square Building, members of the New York Stock Exchange on Jan. 1 will admit Charles B. Lascelles, Jr. to partnership in the firm.

Form Western Secs.

WENATCHEE, Wash.—Kenneth Allen is engaging in a securities business from offices in the Doneen Building under the firm name of Western Securities & Research. He was formerly with Murphey-Favre, Inc. and Wm. P. Harper & Son & Co.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter No. 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.

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

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

Construction—Review with particular reference to **Johns Manville Corp., Penn-Dixie Cement** and **Certain-Teed Products** —H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Future Growth of the World Petroleum Industry—Analytical brochure—Petroleum Department, Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

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

Investment Policy for 1959—With recommendations in various industries—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

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.

Long Term Treasury Financing—Circular—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Oil Stocks—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

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.

Price Trends in the Rails—Comparative analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

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

Railroad Stocks and Bonds — Bulletin — Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Real Estate Bond and Stock Averages—Comparative figures—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. Also available is the December ABC Investment Letter with data on **Reichhold Chemicals, Inc., Cosden Petroleum Corp., Philip Morris, Inc., W. L. Maxson Corp.**, and **Colorado Oil & Gas Corp.**

Southern California—Summary of business trends—Research Department, Security First National Bank, Box 2097, Terminal Annex, Los Angeles 54, Calif.

Steel Industry—Review with particular reference to **Kaiser Steel Corporation** and **U. S. Steel Corporation** — The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a report on **Danly Machine Specialties, Inc.**

Tax Switches—1958 Edition of 250 suggestions—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is the **Pocket Guide** for Today's Investor, with suggested lists of stocks in various categories and an analysis of **United States Borax & Chemical Corp.**

Twenty-four Dividends Yearly — Suggested portfolio — Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Wall Street Comes to Main Street—Report on objective of an investment club—December issue of the "Exchange"—Exchange Magazine, 11 Wall Street, New York 5, N. Y.—20c per copy; $1.50 per year. Also in the same issue are articles on How to Read the Stock Ticker; comparison of price fluctuations of 20 common stocks during December of the past five years; a report on institutional investment, etc.

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American Hoist & Derrick Company—Bulletin—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.

American National Insurance Company—Report—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

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

J. I. Case Co.—Data—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are data on **Fibreboard Paper Products Corp., General Railway Signal Co.**, and **Revere Copper & Brass Inc.**

Commonwealth Edison Co.—Memorandum—Gregory & Sons, 72 Wall Street, New York 5, N. Y.

Consolidated Paper Corporation Ltd. — Analysis — McLeod, Young, Weir & Company, Ltd., 50 King Street, West, Toronto, Ont., Canada.

Continental Insurance Company—Report—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Fibreboard Paper Products.**

Diebold, Incorporated—Report—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Fibreboard Paper Products—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y. Also available is an analysis of **American Airlines.**

Great Southern Life Insurance Co. — Memorandum — Dallas Union Securities Co., Inc., Adolphus Tower, Dallas 2, Tex.

Gulf Oil Corporation—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Hoffman Electronics Corp. — Memorandum — Walston & Co., Inc., 74 Wall Street, New York 5, N. Y. Also available is a memorandum on **National Distillers & Chemical Corp.**

Inland Steel Company—Analysis—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

Insurance Corporation of America—Report—Francis X. Martinez, 1500 Walnut Street Building, Philadelphia 2, Pa.

International Harvester Company — Analysis — Schweickart & Co., 29 Broadway, New York 6, N. Y.

Jerrold Electronics Corp.—Analysis—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

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

Jones & Laughlin Steel—Analysis—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

Koppers Company—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a study of **F. W. Woolworth Company.**

Motorola, Inc. — Report — Bache & Co., 36 Wall Street, New York 5, N. Y.

Pacific Automation Products—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Pheoll Manufacturing Co.—Analysis—Leason & Co., Incorporated, 39 South La Salle Street, Chicago 3, Ill.

Polymer Corporation — Report — A. G. Edwards & Sons, 409 North Eighth Street, St. Louis 1, Mo.

Purolator Products, Inc.—Memorandum—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

R T & E Corporation—Study—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Raytheon Manufacturing Co.—Memorandum—Paine, Webber, Jackson & Curtis, 209 South La Salle Street, Chicago 4, Ill.

Raytheon Manufacturing Co.—Memorandum—Shields & Company, 44 Wall Street, New York 5, N. Y. Also available is a memorandum on **Standard Coil Products Co.**

St. Louis-San Francisco Railway — Bulletin — Oscar Gruss & Son, 150 Broadway, New York 38, N. Y.

Sperry Rand Corporation—Report—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a list of moderate price **Reinvestment Suggestions.**

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

Technical Operations, Inc.—Report—May & Gannon, Inc., 140 Federal Street, Boston 10, Mass.

Texas Natural Gasoline—Memorandum—Austin, Hart & Parvin, USAA Building, San Antonio, Tex.

United States Steel—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Electric Storage Battery.**

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

COMING EVENTS

In Investment Field

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.

Wins Customers' Brokers Portfolio Contest

Announcement has been made that David Norr of Burnham & Company was adjudged winner of the Portfolio Contest of the Association of Customers' Brokers. Each entrant last February made a hypothetical investment of $25,000, distributed among at least five securities. The winning portfolio, at closing prices Nov. 28, showed a capital gain of 92% and was closely pressed by James E. Leonard of Wellington Company at 91.2% and Harold C. Shea of Fahnestock & Co. at 90.3%.

The winner's choices included approximately equal investments in Consolidated Cigar, Empire District Electric, Lorillard, Rexall Drug and Royal Dutch Petroleum. Of this group, Rexall Drug and Lorillard were spectacular performers, the former running from 9 to 30 and the latter from 35 to 83 during the period of the contest.

Also receiving honorable mention among the field of 112 entries were: Kenneth Ward, Hayden, Stone & Co.; Frank Salme, Goldman & Co.; Richard Pistell, Elliott & Co.; Albert P. Gross, Bear, Stearns & Co.; Leon S. Herbert, Jr., Hayden, Stone & Co.; S. S. Goddard, Jr., Abbott, Procter & Paine; and C. Ramsey Siegel, Newburger, Loeb & Co.

E. F. Hutton & Co. Will Admit to Firm

Robert D. Hawkey on Jan. 2 will become a partner in E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange.

Chas. E. Quincey & Co. To Admit New Partners

Chas. E. Quincey & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 2 will admit Philip V. Mohan and John H. Excoffier to partnership.

Harris, Upham 25-Yr. Club

Harris, Upham & Co., 120 Broadway, New York City, nation-wide investment brokerage firm with 36 offices coast to coast and members of the New York Stock Exchange, entertained members of its Twenty-Five Year Club Dec. 9 at a dinner in the Knickerbocker Club. New members from regional offices of the firm are Mary B. Davidheiser, Frank J. Graffeo, Marie Mathes, Howard F. Nester, Alton M. Willis and John L. Tyson.

With Evans MacCormack

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Allen Rankin is now connected with Evans MacCormack & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange.

Textile Industry's Potential

By HALBERT M. JONES*

President of the American Cotton Manufacturers Institute and Weaverly Mills, Inc., Laurinburg, N. C.

Textile industry's spokesman presents a list of strengths supporting his conviction that the industry is potentially in the strongest position of its history. In his analysis of what is "right" about the American textile industry, Mr. Jones also lists three factors that can jeopardize its vigorous and dynamic future. He recommends protection against cheap imports, non-discriminatory world raw material prices, and managerial control of output to demand; claims severe competition experienced has eliminated waste, inefficiency and non-essential costs; praises highly results of research and development as "little short of fantastic"; and points up essentiality of the industry to the economy.

For far too long, the major publicity received by the textile industry has been emphasizing the problems of the industry, the relatively low earnings record, the decline in employment and equipment in place, the loss of exports, the increase of imports, raw cotton price policies, and the dozens of other problems which you know only too well. Of course, the industry has its problems and many of them are serious in nature, but the industry is making faster progress today than ever before in defining those problems, facing them, and reaching solutions. The investigation by the Subcommittee of the Senate under the Chairmanship of Senator Pastore has as its function the study of the problems of the textile industry and it has been inevitable that these problems have received wide publicity in recent months. Let me affirm here that the textile industry is most fortunate that the Senators who are members of the Subcommittee and the staff members are all people who are most sympathetic to the textile industry and are determined to develop a report and recommendations which will be constructive for our industry and for all who are associated with it. And I should like to discuss not what is wrong with textiles but what is so very right with our industry.

Haloert M. Jones

First, let us note that textiles as a basic industry supply one of man's primary needs — clothing, and makes major contributions to shelter and to the providing of his food. The industry, which predates recorded history supplies to every man, woman and child products which are necessary to his survival. We are, therefore, not a fringe expendable industry but one that is essential to the wellbeing of all of our people.

Economic Importance

Second, let us note just how important the textile industry is to the economy of this nation of ours which is the world's richest. According to the annual survey of manufacturers published by the Bureau of Census there are approximately 8,000 textile plants in the United States employing some 1,000,000 persons who earn about $3,300,000,000 annually. These mills and their employees turn out goods valued at over $13,000,000,000, or 4.1% of all manufacturing industry.

In 1957 the textile mill product industry ranked sixth in size by employment, ninth by assets, and ninth by sales, with plants in 40 of the 48 states and consuming the products of every state including our newest, Alaska. Our related industry, apparel, employs over 1,200,000 people in over 30,000 establishments with wages approximating $3,600,000,000, and together these textile manufacturers employ more people than any other manufacturing segment of our economy. Thus, there are well over 2,000,000 persons in this country whose jobs are furnished directly by the textile and apparel plants. Another way in which our industry adds strength to the economy of this nation is through expenditures for new construction and equipment. Since 1947, this industry has spent an average of $451,000,000 annually for new plant and equipment, over $5,200,000,000 in this period of time. As further evidence of the importance of textiles to the nation's economy, it is estimated that the industry spends approximately $800,000,000 annually for chemicals, $438,000,000 for miscellaneous goods from small industries, $186,000,000 for transportation, $105,000,000 for fuel and power, $31,000,000 for packing materials, $25,000,000 for starch, $20,000,000 for paper products, $16,000,000 for paint, $14,000,000 for electrical supplies and $7,000,000 for hardware.

This comes to a total of $1,642,000,000 and does not, of course, include what the mills must pay for their basic raw materials which, and we all know, are by far the highest item of our costs. The textile industry provides the major markets for the cotton farmers and wool growers of this nation, and completely new enterprises costing billions of dollars employing tens of thousands of persons have been created to supply the industry with man-made fibers. By any standard of measurement, the textile industry is a vital and dynamic part of our nation's economy.

Essentiality to National Defense

Third, we can affirm without question that the textile industry is essential to the nation's security and defense. Our armed services have ranked textiles second only to steel in order of essentiality in the event of a national emergency. In such a time, not only would our domestic industry be called upon to supply a large volume of textiles to our armed forces and those of our allies, but, perhaps even more important, to supply the clothing needs of our people and the tremendous fabric needs of our industry. Mr. Robert T. Stevens, in testimony last summer before the Senate Finance Committee, said "I contend that what is left of the textile industry today is already below the minimum essential for the adequate defense and survival of the United States."

If the time were to ever come when this country depended on overseas supply of textiles to any significant degree, at that time the security of this nation would be in jeopardy. Textiles are very much in evidence in the approaching space age and are playing a part in the development of earth satellites, the army's missile program and the jet age. Just two months ago, the Aeromedical Laboratory at Wright Field announced that it had successfully tested a new dacron sailcloth that will aid pilots to escape safely from highspeed aircraft in an emergency. At the airport in Montgomery two weeks ago, I saw a pressure suit for space age airmen which is composed almost entirely of textiles. Textiles are thus continuing to play a major role, not only in the normally expected uses for the military but in the dramatic technological advancement which is taking us with breathtaking speed into the space age. One of the things so right about textiles is that they are essential to the military security and progress of our nation.

Research and Development

Another great strength of this industry is attested by the dramatic results of our research and development program. It has been said with some frequency lately that textiles are far behind in the parade of other industries in this area of research. All of us would affirm that we have not expended as much on research programs as we would have liked if the profitability of the industry had permitted. The accomplishments of textile research are however, little short of fantastic. Some of the figures which have been quoted to the detriment of textiles in our public and government relations are that the cotton industry has spent only $17,000,000 per year in all kinds of research whereas the man-made fiber industries are spending well over $75,000,000 per year.

These figures give a completely erroneous portrayal of the amount of research being done in textiles. Only the larger textile organizations engage in research and development programs under budget headings which can be reported in dollars spent on research, and yet every textile plant is constantly engaged in research and development to improve its quality, to lower its costs, to produce new yarns, constructions, blends and fabrics, and this kind of research is never reported in our textile research figures. If it were possible to obtain expenditures in these areas, I am confident that tens of millions of dollars would be added to the estimated total textile research expenditures. It is also erroneous to put in separate categories the research being done by the textile mill product industry and the chemical industries which are producing textile fibers, chemicals and finishes. These all contribute to making possible major advances in textile technology and products.

Research, if it is effective, results in greater productivity, new products, and improved characteristics of both old and new materials. By these standards, the results which have been achieved in textiles are dramatic. In testifying before the Subcommittee of the Senate at Clemson on Sept. 29, Mr. Fred B. Dent made the following statement, "Although textile manufacturing and finishing techniques have been in existence almost as long as civilized man, the American textile indus-

Continued on page 30

*From a talk by Mr. Jones before the Carded Yarn Association, Hot Springs, Va.

A Play on Words and Outlook for Stocks

By SIDNEY B. LURIE*

Partner Josephthal & Co., New York City

Wall Street partner comments on the semantics of the business he is in before issuing a warning that the market is not a "one-way street" and may not do as well in 1959 as it did this year. Mr. Lurie examines the basis for market optimism and, also, points out that if corporate equity financing increases next year and inflation psychology subsides there may not be a shortage of stocks in 1959. Singles out the first quarter of 1959 as the danger period when "the inflation balloon may be pricked," erratic performance may ensue, and we may see "500 sometime within the next four months." Avers profit-opportunities have not ceased, and is cautious average-wise but not individual issue-wise. Specifies some likes in oils, specialties, metals and transportation.

The terms: "Half Empty"—"Half Full" mean the same thing—but their implications are entirely different. Ours is a business of words which is why I bring up the point. After all, there is a vast difference between the question, "Is the millennium here?" and the flat statement, "The millennium is here!"

Sidney B. Lurie

It all depends on how you look at things. For example, in Japan—millions of wives are buying stock by cutting corners and snipping off a larger "hunk" of the family pay envelope. One unmarried girl is quoted as saying: "Love is all very well, but it makes you too dependent on a man. That's why I buy stock."

A Fountain for Youth

I suspect that a good many people in the U. S. lately have been thinking along the same lines. The average brokerage house customer has come to believe that Wall Street is the new Fountain of Youth. On the surface, he can find much to support this type of thinking.

For example:

(1) No major bull market has ever ended in the Winter months—and it would be contrary to logic and experience to expect an end before the present business upturn has decisively culminated.

(2) December always has been a good month in the Stock Market—and this traditional seasonal pattern will be strengthened by little, or no, tax selling, and by optimistic corporate statements regarding the 1959 outlook.

(3) Sure the 1959 business outlook is good—witness a sharp upturn in magazine advertising, an increase in machine tool orders, and other factors of which you are all aware. Probabilities are that the F. R. B. Index will reach a new average high in 1959.

But there is a little too much unanimity of opinion that "all that glitters is gold" that this is a one-way street—that government spending and a welfare-state philosophy automatically will stop everyone out of the market at a profit. I just don't think it's that simple. Rather, I suspect that in the process of gaining protection against inflation, America has succeeded in only inflating the Market, itself. Price always is the acid test of any premise—and there may be a little bit too much looking ahead without looking back to the lessons history always teaches us.

Stock Market's Supporting Factors

Let's review, briefly, the four legs on which the Market stands—the reasons for the biggest market in Wall Street's history:

(1) Contrary to last Winter's highly vocal pessimists, American Industry has truly demonstrated remarkable resiliency this year. Not only have break-even points been lower than anyone expected, but efficiency has been steadily improved. The frills (but not the thrills) have gone—and profit margins have been improved. Simply stated, the $186 billion put into plants and equipment in the past five years is paying off—and the pay-off will be even greater in 1959.

(2) The business outlook—which is an equally strong Market leg—speaks for itself. It's good! The only question is whether it will live up to its advance advertising—whether the current pause for refreshment will cause uneasiness. Don't forget, unemployment will rise seasonally over the next few months—the stimulus of higher defense spending already has been felt—and tight money undoubtedly will "hurt" residential construction next Spring. I think we will forge ahead then, but this nation of headline readers may face some interim doubts and fears.

Downward Factors

(3) Supply and demand work in Wall Street as they do in Worth Street—in which connection I'd like to make one point: In my opinion, this year's enormously favorable equation will not be duplicated in 1959. For one thing, as we are beginning to see via Rights offerings, corporate equity financing (which declined sharply in 1958) is likely to increase in 1959. Secondly, if the inflation psychology subsides—and this is still the most vulnerable of the Market's four supports—the supply of stocks will increase, and the demand decrease. In other words, I doubt that there again will be an obvious shortage of stocks.

(4) Inflation is as much a state of mind as it is a statement of fact. In this connection, I'm sure we can agree that the non-monetary pressures on the price level are smaller than they've been at any time in the past 10 years. I suspect that early in January the psychological pressures also will subside—when the nation realizes that this Administration is serious in its attempts to minimize the monetary pressures of deficit spending. Our government deficit is going to be much less than the newspaper headlines made it a few months ago.

Furthermore, it's ridiculous to assume that the new political complexion of Congress means a spendthrift Congress. Talk of a welfare state overlooks the fact that a welfare state means controls and taxes as well as stimulants. Only a morally bankrupt government—which ours is not—would deliberately invite inflation.

Opines on 1959 Outlook

These, as I see it, are the factors that have a bearing on the "$64,000 Question" of when and whether the investment climate will change. Ours, as we all know only too well, is an intuitive business—an applied art, if you will—rather than a science. Thus, differences of opinion are inevitable. As I see it, however, the background sketched above suggests that:

(1) 1959 will not be quite as good a year Market-wise as has been the past nine months. The realization of today's hopes has to gain strength in support of the price level.

(2) Thus, I think 1959 will be a more erratic year than 1958. In my opinion, the danger period is the first quarter—for this is when the inflation balloon may be pricked! I suspect we're going to see 500 sometime within the next four months.

(3) More immediately, I have a strong suspicion that the average highs may have been seen—that we've entered an irregular reactionary period.

(4) This doesn't mean, however, that the opportunities for profit have ceased. The speculative appetite for success stories is greater than it ever was before.

Thus, while I'm cautious average-wise I'm bullish individual issue-wise—and this is what our customers buy. I like the Oils (Sinclair and Mission Corporation); Specialties such as Singer Manufacturing and Rheem Manufacturing; Metals (Anaconda and General Cable); Transportation (Greyhound, Northwest Airlines, and Western Maryland).

*An address by Mr. Lurie before the Association of Customers' Brokers, New York City, Dec. 2, 1958.

The Importance of Selecting The Right Individual Issues

By EDMUND W. TABELL*

Director of Institutional Research

Walston & Company, New York City

Market analyst uses hypothetical selections to illustrate the importance of selecting the right issues rather than the market swings. Mr. Tabell concludes that the market, in terms of price level and timing level, has quite a bit to go on the upside and advises that when the market becomes unrealistically high, based on earnings and dividends, it would be wiser to assume a more liquid position than has been advisable in recent years. He ascertains that market performance since 1857 has usually gone through a five phase movement and surmises that we now are in the final upward phase which may last until early 1960's and be followed by a deep correction.

The following hypothetical figures more or less prove the futility of attempting to catch market swings in the present high-tax environment. Let us suppose, for example, that an individual had $10,000 in June of 1949 and bought the Dow-Jones Industrial Average at 160. Let us further presume that this individual is in the 50% tax bracket and that he caught exactly each one of the 13 swings up and down of more than 10% that took place from 1949 until the present. That is, he bought at the exact bottom, sold out at the exact top and went short and then covered his shorts and went long at the exact low. This, of course, would have been impossible, but if it had occurred, his $10,000 investment in 1949 would be worth about $74,000 today, after all taxes. On the other hand, if the same individual continued to hold his Dow-Jones Industrial Average that he bought in June, 1949 until today, his holdings would have been worth $35,000.

Edmund W. Tabell

On individual stocks, this performance would have been even better. A $10,000 purchase of Standard Oil of New Jersey in 1949 would have been worth $60,000 today. Similar or better results would have been attained by the purchase of General Electric, now worth $58,000, Aluminum Company of America, now worth $76,000, and International Business Machines, now worth $107,000. These are all high-grade Blue Chip issues. Better results, for example, would have been obtained by the purchase of lower-grade or more speculative issues.

Since 1949 it has not paid to be out of the market. However, some switching has been necessary in order to profit by price movements in popularity groups at various times. For example, if the investor with $10,000 had bought Standard Oil of New Jersey with all of his funds in June of 1949 and held until January, 1952, and then paid his tax and switched the entire amount into General Electric and held it until August, 1954 and then bought Aluminum Company of America and sold it in May of 1956 to purchase IBM, and then sold it in June, 1957 and bought Parke Davis, his $10,000 investment would have a value of $496,800 in value of Parke Davis after taxes on all the previous transactions.

Even more phenomenal results would have been attained by the purchase of Dana Corp. in June of 1949, holding it until April, 1953, then switching into Outboard Marine and holding it until June, 1957, and then switching into Lorillard. The present holdings of Lorillard would have a value of $1,500,000 against an original amount of $10,000 invested in 1949. All of these hypothetical cases are, of course, impossible in attainment. The only thing that these fantastic figures prove is that there are more profit opportunities by selecting the right individual issues than attempting to catch the swings in the market.

Probably it has paid to have been long of the market since 1949, provided one was fortunate enough to pick the right stocks. For the last 30 years there were probably only two periods in which it would have been wise to have been almost entirely out of the market. These were 1929 to 1932 and 1937 to 1942, although there were also many worthwhile profit opportunities during this last period.

How long will this situation continue?

Price movements over a period of time, both long- and short-term, usually consist of five phases, three up and two down in the case of an upward price movement, and three down waves and two up waves in the case of a downward adjustment.

For example the market had a five-wave advance from 1857 to 1929. This was corrected by a five-wave correction from 1929 until 1949. Of course, the price level was much higher at the 1949 low than at the 1929 low, but investor confidence was at a terrifically low level considering the state of the economy. The market was selling at a ridiculously low valuation. The stocks like General Electric were selling at six and seven times earnings to yield 6% or more. Probably the market in 1949 embarked on a broad upward cycle similar to 1857 to 1929. We are in the first upward move of this cycle.

This first broad upward movement also will consist of five waves. We are now probably in the last or final wave of this movement. The first upward wave was 1949 to 1951, followed by a second correctionary wave from 1951 to 1953. The third or advancing wave was from 1953 to 1956. The fourth or correctionary wave was from 1956 to 1957. We are now probably embarked on the final upward wave. This usually is the most dynamic wave, with increased speculation and broad price movements. The low-priced stocks are participating in the market advance. This has not happened since 1946. This final wave will probably last into 1960 to 1962, or even longer, and will probably be followed by a greater correction than we have witnessed in previous years. It will probably be somewhere between the 25% decline of 1946 and the 50% decline of 1937.

Purely as a guess, if the market advanced to 800 in the next several years, it would be followed by a decline to around 550 or 500, or quite close to where the market is today. If the market becomes unrealistically high based on earnings and dividends, it will probably be wise to assume a more liquid position than has been advisable in recent years.

However, it would appear that the market, both from a price level and a timing level, has quite a bit further to go on the upside. As usual, the ability to select the right issues would be of more importance than a guarantee to catch market swings.

*From a talk by Mr. Tabell before the Dean's Day Homecoming of New York University's School of Commerce, Account, and Finance, New York City, Dec. 6, 1958.

H. C. Traywick Co. Being Formed in Atlanta

ATLANTA, Ga.—H. C. Traywick & Co., Inc. is being formed to conduct a securities business from offices in the Fulton National Bank Building. Officers are Howard C. Traywick, President and Treasurer; Mrs. Dorothy D. Sweyer, Secretary and Assistant Treasurer; and George W. Kilgo, Assistant Treasurer. Mr. Traywik and Mrs. Sweyer are officers of Interstate Securities Corporation, with which Mr. Kilgo has also been associated.

Howard C. Traywick

R. G. Mauro Opens

MT. KISCO, N. Y.—Robert G. Mauro is conducting a securities business from offices at 491 Lexington Avenue.

J. D. Morelli Opens

PHILADELPHIA, Pa.—John D. Morelli, Jr., has opened offices at 1401 Walnut Street to engage in a securities business. Mr. Morelli was formerly with Chas. A. Taggart & Co. and Walston & Co., Inc.

What's Ahead for Banking Credit and Interest Rates

By SIDNEY B. CONGDON*
Chairman of the Board, The National City Bank of Cleveland

Prominent mid-west banker raises and answers questions as to future bank earnings, interest rate trend, and adequacy of funds to finance the generally better business expected. Mr. Congdon anticipates overall demand for funds to exceed supply by $5 billion and that the Federal will permit what amounts to a 4½% growth in sound bank credit. He, also, envisions moderately higher interest rates in 1959, and an excellent year for business and an equally good one for banking. The 1957 monetary-restraint policy is credited for helping to shorten the 1958 recession.

As the servants of business and family units which make up our overall economy, banks prosper as the economy prospers. Business analysts visualize next year as a materially better year than 1958, and perhaps the biggest year yet for the overall economy. If they are right, and I think they will be, it also will be an excellent year for banking. I expect the operating earnings of commercial banks to set a record in 1959. I might point out, however, that the banking business is not one which typically returns large earnings on capital, and if our earnings do improve it will mean only that we are getting closer to what I am sure you would agree is our just due.

Sidney B Congdon

The degree of prosperity of our business is measured on the income side of volume of deposits, volume of loans, and interest rates. In 1959 I think the banking system will show gains in both deposit and loan volume. I think those gains will not be extreme but will be large enough to be significant.

Eyes Interest Rate Trend

In the matter of interest rates, at least a half dozen individuals have asked me recently whether interest rates will move higher. Here was my answer: "In past business cycles, a rising level of business has been accompanied by a rising trend of interest rates. This partly reflects basic supply and demand factors and partly policy decisions of the monetary authorities. If history repeats itself, and it usually does, interest rates are going to go up some more." Both of the factors I have mentioned may be expected to operate in that direction.

One can argue that today's interest rates already discount next year's good business. Certainly the rise in rates during the past six months, particularly rates on fixed income securities offered in the open market, has been much more rapid than during the recoveries from the 1949 and 1954 recessions. Furthermore rates already have approached the 1957 highs, despite the fact that industrial production has quite a way to go before even matching 1957 levels and unemployment still is a problem of real concern.

But one also can note that in the postwar period rates gradually have been moving up toward levels which prevailed in this nation for many decades prior to the great depression and World War II. Interest rates today still are on the low side compared with years prior to the 1930's. Today's rates in our country are decidedly lower than those prevailing in the rest of the world.

Now going back to these conversations about the future of interest rates — one man reacted to that reply as follows: "Well," he said, "Does that mean we are to make the same tight money mistake with the 1959 recovery that we made in the 1957 boom?" Let us consider that somewhat loaded question. So-called tight money has been the subject of a lot of conversation in the past couple of years. That term has two connotations, one having to do with availability of money and the other having to do with price of money. Obviously these two elements are directly interrelated. But even so it is one thing to have money unavailable and another thing to have it somewhat higher in price but still available. In the later circumstance the element of cost may result in the deferment or abandonment of certain contemplated expenditures but freedom of choice still rests with the entrepreneur.

Praises 1957 Credit Policy

During all this period of tight money funds have been available for all deserving enterprises. Here is some pretty convincing evidence bearing on that subject: In 1957, the year of so-called tight money, on all time record was set in new security issues and more new consumer instalment loans were made than in any other year in our history. Commercial loans and real estate mortgages outstanding moved up into new high ground.

In 1957, enough was borrowed to finance new all-time highs in plant and equipment spending, in inventories, and in public works of states and municipalities. Consumers spent more dollars on durable goods than in any other year in our history. True, fewer houses were started than in 1956, but it is noteworthy that more were started in the last half of 1957 than in the first half. During most of the year unemployment was at minimum levels.

Admittedly, easier money in 1957 would have produced more dollars of spending in the economy. But I wonder if anyone now believes we should have attempted to build in the aggregate more plants, more equipment, more inventories, more public works, more houses, and more cars in 1957 than we did. The 1957 policy of monetary restraint reduced inflationary pressures and contributed to the mildness and shortness of the recession of 1958.

Sees Adequate Corporate Financing

Now for the final question. Will funds be forthcoming to finance the measure of business advancement predicted today? My answer is yes. Twice a year the staff of our bank puts together estimates on the probable supply of and demand for loanable funds in the economy. The analysis begins with an estimate of corporate cash requirements. Our calculation for 1959 indicates combined cash needs for capital spending, taxes, dividends, inventories, and other working capital additions will be substantially higher than this year. However, we expect the cash flow from retained earnings and depreciation to rise by almost as much. Hence, we anticipate that corporate requirements for outside cash will not be much greater than this year. These requirements will be much smaller than in 1957.

This would not be a unique development for the first year of a business recovery. Ordinarily expansion of earnings and depreciation goes a long way toward matching the rise in capital spending and inventories in that first year. It is in the second year of recovery that inventories ordinarily advance most rapidly and capital spending surges strongly upward, causing cash requirements to move up far more rapidly than earnings and depreciation.

Now that corporate demand for loanable funds, of course, is just part of the story. In 1959, the Federal Government will have to borrow more money than this year. Consumers may do likewise, while home buyers may borrow about as much as this year. However, we are estimating that the combined supply of funds from savings accounts, insurance companies, and from individual purchases of securities also will rise in 1959, thereby meeting part of this enlarged demand.

Four and One-Half Percent Bank Credit Growth

The end figure in our analysis is of course the amount by which the demand for funds is expected to exceed the supply of savings. That is the share of the demand which presumably must be filled by an expansion of loans and investments in the commercial part of the banking system. The figure we currently expect for 1959 is $5 billion, which would represent a 4½% increase in the amount of commercial bank credit in use.

Would the Federal Reserve Board be willing to provide the banking system with sufficient reserves to permit that much growth in bank credit? I would think so. It certainly would constitute a rate of increase no more rapid than the prospective 1959 rise in the Gross National Product. Furthermore, it would come after several years of distinctly subnormal growth in the commercial part of the banking system. There has been in these years a shift from investment in Government securities to loans, but overall growth of volume has been quite limited. The Federal Reserve System, we must remember, prefers progress and prosperity to either recession or stagnation, even as do you and I. Their objective is to keep the economy from overeating rather than to starve it.

To summarize:

In my judgment funds will be available to finance the good 1959 business performance that most of us are expecting. However, I also believe interest rates will average moderately higher in 1959 than they are today. The year ahead should be an excellent one for business. If it is an excellent year for business it will be an equally good one for banking.

*From a talk by Mr. Congdon before the National Industrial Conference Board Meeting, Cleveland, Ohio.

Forms Bond & Share Co.

(Special to THE FINANCIAL CHRONICLE)

ALTADENA, Calif.—Jeanne Wilkins is conducting a securities business from offices at 3479 Canon Boulevard under the firm name of Bond & Share Co. Miss Wilkins was formerly with Dempsey-Tegeler & Co.

D. A. Coscarelli Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ALAMITOS, Calif.—Donald A. Coscarelli is conducting a securities business from offices at 2732 Bostonian Drive under the firm name of Mutual Fund Investments.

Sutro & Co. Will Admit Two Partners

SAN FRANCISCO, Calif.—John C. Hoyt and Maurice Schwarz, Jr., on Jan. 1 will be admitted to partnership in Sutro & Co., 460 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Schwarz will make his headquarters in the firm's Beverly Hills office.

Spencer Trask & Co. To Admit Two to Firm

On Jan. 1 Carl F. Greenway and Edus H. Warren, Jr., will become partners in Spencer Trask & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

George L. Clayton With Commerce Trust Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—George L. Clayton has become associated with Commerce Trust Company, 10th and Walnut Streets. Mr. Clayton was formerly proprietor of Harvey A. Clayton & Co.

Harry F. Mayfield, formerly with Reinholdt & Gardner, has also joined the staff of Commerce Trust Company.

C. R. Ekholm Opens

(Special to THE FINANCIAL CHRONICLE)

ENCINO, Cal.—Cecil R. Ekholm is conducting a securities business from offices at 4555 White Oak Avenue.

W. K. Ledgard Opens

CLIFTON, N. J. — Walter K. Ledgard, Jr. is conducting a securities business from offices at 23 Nelson Street under the firm name of Investments Unlimited.

Federal Agency Bonds As Investments

By C. BUDD HEISLER*
Vice-President, Central-Penn National Bank of Philadelphia
Philadelphia, Pa.

Philadelphia banker weighs the *pros* and *cons* of "agency bonds" before unhesitatingly recommending them as supplements to U. S. Treasury Bonds in any bank's portfolio. Mr. Heisler briefly describes the five kinds of Federal Agencies and their notes, debentures and bonds; considers them to be top grade, taxable risk obligations that yield more than U. S. Treasuries; and finds they are particularly attractive for banks subject to the 52% corporate tax. He regrets that Congress found private financial institutions deficient in meeting the needs these Financial Agencies were created to meet and warns, unless banks are willing to adapt themselves to new concepts in lending demands, there is ever present the danger of increased competition from the Government at the expense of private lending institutions.

In discussing Federal Agency Bonds let us first define what we are talking about before we enter into the pros and cons for adding them to the bank's portfolio. I think of agency bonds, notes, and debentures as those securities issued by corporations established by the United States Congress for specific purposes and whose obligations are not guaranteed by the United States Treasury. There are five of these corporations which most people think of when discussing agency bonds, and they are:


C. Budd Heisler

Federal Intermediate Credit Bank Debentures (FICB's)
Federal Home Loan Bank Notes
Banks for Cooperative Debentures
Federal Land Bank Bonds
Fedral National Mortgage Association Notes and Debentures (Fannie Mae's)

I would like to review the establishment of each of these agencies, the purpose of the creation of each, the security behind the obligations and the amount of obligations each has outstanding at present. Let us take them in order of the date of which they were created.

The Federal Land Banks were the first of the "agencies." These banks were established in 1917 under the Provision of the Federal Farm Loan Act of July 17, 1916. Pursuant to that act the country was divided into 12 districts and one Federal Land Bank was set up in each district. The purpose of these banks is to provide long-term credit to farmers. The banks are permanent and under supervision of the Farm Credit Administration.

The Federal Land Banks are authorized to make first mortgage loans on farm lands and these loans must be amortized over a period of not less than five years or longer than 40 years. These loans are made through local associations known as National Farm Loan Associations and must be made with the endorsement of these associations which are chartered under the Federal Farm Loan Act. Loans are made for the purchase of farm land for agricultural purposes, for the purchase of farm equipment, fertilizer and livestock, to provide buildings and improvements for the farm land, to liquidate indebtedness and to provide the farmer with funds for general agricultural purposes.

Originally, the individual banks issued their own bonds, but all of that type of obligation have been called for redemption and all bonds now outstanding are consolidated for which the 12 banks are jointly and severally liable. In addition to the joint and several obligations of the 12 banks, outstanding bonds must have collateral as security behind them equal to the amount of bonds outstanding. This collateral consists of notes secured by mortgages, purchase money mortgages on farms, or contracts to sell farms as long as they are first liens on the farm. U. S. Government Obligations or cash. Such collateral is placed in trust with the 12 Farm Loan Registrars and are held by them as security for all outstanding bonds. As of Nov. 3, 1958, there were outstanding $1,793,000,000 bonds.

Federal Land Bank Bonds are a lawful investment for all U. S. Government fiduciary and trust funds, they are eligible collateral as security for Government Deposits, they are eligible for commercial and savings bank investments in most states and for trust fund investments of various states including Pennsylvania. The investment in these bonds is not subject to the normal 10% limitation of capital surplus and undivided profits for National Banks, members of the Federal Reserve System or Pennsylvania State Banks.

Federal Intermediate Credit Banks

The Federal Intermediate Credit Banks were the second of these agencies to be established. The FICB's were created by the Agricultural Credits Act of March 4, 1923, for the purpose of providing seasonal credits for the production and marketing needs of farmers and stockmen. One Federal Intermediate Credit Bank was established in each of the 12 Farm Credit Districts.

The Federal Intermediate Credit Banks do not make loans to individuals but loan to and discount agricultural and livestock paper for financing institutions such as National and State Banks, Agricultural Credit Corporations, Incorporated Livestock Loan Companies and other similar financing institutions with their endorsements. These banks also are permanent in nature. All consolidated collateral trust debentures are joint and several obligations of the 12 Federal Intermediate Credit Banks.

The FIC Banks may issue consolidated collateral trust debentures having maturities of not more than five years but these debentures are usually sold monthly and the maturities are ordinarily nine months or less. As of Nov. 3, 1958, there were $1,140,000,000 of these debentures outstanding.

The security behind the FICB debentures other than the joint and several liability of the 12 banks is collateral consisting of at least a similar face amount of obligations discounted or purchased, mentioned previously, U. S. Treasury Bonds or cash.

These debentures may be used as security for public funds, are legal instruments in many states for savings banks and insurance companies, and investments for trust funds in many states, including Pennsylvania. National Banks, Member Banks and Pennsylvania State Banks, may invest in these debentures in unlimited amounts and may discount them at the various Federal Reserve Banks for borrowing purposes if the maturity is not more than six months hence.

Federal Home Loan Banks

The Federal Home Loan Bank System was created by the Federal Home Loan Bank Act of July 22, 1932. The system consists of 11 Regional Federal Home Loan Banks and their member Savings and Loan Associations. The purpose of this system is to make available to home owners or buyers ample credit through private lending institutions. Mortgage loans to home owners which can be paid off over a period of years are made by the local members of the system. As of Dec. 31, 1957, there were 1,772 member institutions throughout the United States.

The Federal Home Loan Banks may advance to the member banks amounts not exceeding 12 times the amount the member bank has paid in toward the purchase of stock in the Federal Home Loan Bank. The Federal Home Loan Banks in turn are authorized to sell consolidated Federal Home Loan Bank Bonds which are the joint and several obligations of all the Federal Home Loan Banks. The amount shall not exceed 12 times the paid in capital stock and reserves of all the Federal Home Loan Banks and must be secured by cash, U. S. Treasury obligations, secured advances by member banks, or insured mortgages at least equal to the face amount of the bonds outstanding.

These Bonds may be used to secure U. S. Public Funds and may be purchased in unlimited amounts by National Banks, members of the Federal Reserve System and Pennsylvania State Banks. As of Nov. 3, 1958, there were $722,000,000 Bonds outstanding.

Banks for Cooperative Debentures

The 12 District Banks for Cooperatives, one in each Farm Credit District, and the Central Bank in Washington, D. C., were authorized and established under the Farm Credit Act of 1933. They were organized by the Governor of the Farm Credit Administration for the purpose of making credit available to farmers' cooperatives on a sound business basis. The banks make loans to eligible cooperative associations owned and controlled by farmers, engaged in marketing agricultural products, purchasing farm supplies or furnishing farm business services. Loans made are to assist the associations in the effective merchandising of agricultural products in meeting their operating capital requirements and in constructing or acquiring physical facilities needed in their operations.

The Banks for Cooperatives Consolidated Debentures which may be issued and outstanding are not to exceed eight times the capital and surplus of the combined 13 banks. The security behind the debentures is the joint and several guarantee of the banks plus collateral in the form of loans discounted equal to the face amount of the debentures, cash or obligations of the United States. The debentures may be used to secure U. S. Public Funds. National Banks may buy without limitation and State Member Banks may buy unlimited quantities subject to the laws of the State in which they are incorporated. In Pennsylvania, State Banks are limited in their purchases to an amount equal to 10% of their capital surplus and undivided profits. As of Nov. 3, 1958, there were $251,000,000 debentures outstanding.

Fannie Mae

The Federal National Mortgage Association was originally chartered on Feb. 10, 1938, and was rechartered under the Federal National Mortgage Association Charter Act on Aug. 2, 1954. Its function is to render supplementary assistance to the secondary mortgage market guaranteed by the Veterans Administration or insured by the Federal Housing Commissioner. In its Secondary Market Operation, F. N. M. A. enters into standby commitment contracts to purchase any or all home or multi-family mortgages a seller may elect to deliver to the F. N. M. A. within a specified period of time. Each of these mortgages must be insured by the V.A. or F. H. A. Eligible mortgages must cover residential property and be located in Continental United States, Puerto Rico, Hawaii and the Virgin Islands. When a seller uses the facilities of the F.N.M.A. he must purchase common stock of the F.N.M.A. equal to 2% of the unpaid principal amount of the mortgages. Under this function also the F.N.M.A. may issue, subject to approval of the Secretary of the Treasury, obligations not to exceed 10 times the sum of Capital, Surplus, Dividend, Profits and Reserves, but not exceeding the cash, mortgages, U. S. Treasury Obligations. These Debentures are the direct obligation of the Association. These debentures may be purchased in unlimited amounts by National Banks, Members of the Federal Reserve System and State Banks in Pennsylvania. Such bonds may be used to secure Public Fund Deposits.

Under the special assistance function of F.N.M.A., the President of the United States may determine that it is in the public interest for F.N.M.A. to buy mortgages to retard a decline in mortgage lending which threatens the stability of the national economy or Congress may authorize specific assistance programs for the Association. Funds for these functions are obtained directly from the U. S. Treasury.

The third function of the F.N.M.A. is the orderly liquidation and retirement of commitment contracts entered into prior to Nov. 1, 1954. Naturally, the purchasing phase of this function has been concluded. Total commitments under the function were limited to $3,350,000,000. Against these commitments the Association may sell to private investors, bonds not in excess of the aggregate amount of cash, mortgages, or U. S. Treasury obligations held by it. These bonds may also be purchased in unlimited amounts by National Banks, Members of the Federal Reserve System and State Banks in Pennsylvania. As of Nov. 3, 1958, there were $1,897,000,000 F.N.M.A. Bonds outstanding.

Common Features

You will note that all of these notes, debentures, or bonds have several things in common. First they are not a direct obligation of the United States, two, they are secured by cash, U. S. Treasury Securities and loans or mortgages, three, they are outstanding in sufficient quantities to be readily marketable, four, income is taxable, five, with the exception of the Banks for Cooperatives for Pennsylvania State Banks, they may be purchased without the 10% limitation usually applying to other types of bonds, and six, they may be used to secure deposits of public funds of the United States. Another common feaure is the fact that they all have been outstanding for a sufficient period of time to be considered seasoned and they are considered being of the highest quality.

At this point, I would like to digress for a moment to point out another common feature of these Federal Agencies. Each of these agencies was created to perform a lending function. When created by Congress each of these agencies was established to fill a need which the majority of Congress at least felt that private financial institutions were not providing. Each of these agencies has successfully performed its specific function, from its inception and the volume of lending in each case is increasing. In other words these agencies are in direct competition with banking and bankers because bankers and banking as a whole failed to provide the services which the public demanded. As a result such services had to be provided by the Federal Government.

I would like to point out the necessity for banking institutions as a group to examine the wants and needs of the public and to provide these services even if it means a change in past policies or new concepts in lending. Once these decisions are made let us, as bankers, sell them vigorously. Unless we do, we run the danger of increasing competition from the Federal Government and the lessening of importance of the private lending institutions in the economy of this country.

Advantages of Agency Bonds

Now, let us discuss some of the advantages these types of obligations have. First, they return a significantly higher yield than comparable U. S. Treasury Obligations. Some examples: The U. S. Treasury Bills of 1/15/19 yield 2.34% vs. the Federal Home Loan Bank 1¼ of the same date which yield 2.90%. The Treasury 1¼% due 5/15/59 yield 1.42% after tax vs. a 1.74% after tax yield for the FICB 2% debentures of 5/4/59. The Treasury 3½% — 5/1/60 yield 3.32% while FNMA 3⅝% — 8/23/60 yield 3.92%. The Treasury 4's of 8/1/60, yield 3.40% vs. a 3.91% for the Federal Land Bank 4's of 9/20/61. The spread in yields varies from time to time and in the very tight markets of the Fall of 1957, the yield spread between U. S. Treasury and Agency Bonds of comparable maturities exceeded 100 basis points.

A second advantage of Agency Bonds is their availability in quantity in short-term maturities to fit almost any plan of liquidity a bank might want. The quantity of agency bonds outstanding has increased substantially in recent years. On Dec. 31, 1948, there were $967,000,000 outstanding. In December 1953, $1,214,000,000 and on Nov. 3, 1958, there were $5,803,000,000. They are also available in the intermediate and longer term maturities to a more limited degree for supplementing that portion of a bank's portfolio. Maturities available at present extend as long as 1972 and are available in almost every year in between with the exceptions of 1964 and 1967. Because of the emphasis on the shorter maturities new offerings are frequent and in a downward bond market, enable a bank to take advantage of the change in interest rates.

A third advantage of Agency Bonds is their marketability. The size of each maturity ranges from a minimum of $60 to a maximum of $797 on presently outstanding issues. The total amount of all agency obligations as of Nov. 3, 1958 was $5.8 billion. These issues are traded daily by most U. S. Government dealers and quotations are readily obtainable. Spreads between the bid and ask quotations are usually narrow in the very short maturities but increase with the length of time the issue has to maturity.

A fourth advantage of this type of security is quality. The record

*An address by Mr. Heisler before the Pennsylvania Bankers Association's Fall Meeting, Philadelphia, Pa., Nov. 14, 1958.

of these obligations has been excellent and though they are not direct obligations of the U. S. Treasury, there seems to be implied a moral obligation to prevent default in case of emergencies. The programs which these agencies support are too important economically and politically to be dismissed lightly by Congress. In the case of FNMA particularly, the mortgages behind the obligations are further guaranteed by the Veterans Administration and the Federal Housing Administrator.

Disadvantages

The main disadvantages that I can determine are the fact that the agency bonds are considered as risk assets by the examiners and therefore must be used to supplement U. S. Treasury Obligations rather than replace them. A second disadvantage is the fact that income derived from these obligations is subject to the Federal Income Tax Laws. This is no different from "U. S. Treasury Obligations, however, and short-term tax free obligations, on the other hand, are not always available. A third minor disadvantage is that one may have to be patient to obtain substantial blocks of any one of these issues as they are popular and once purchased many buyers are reluctant to part with them.

In conclusion I would like to summarize some of the features of the Federal Agency Obligations. They are not guaranteed by the U. S. Treasury; they are considered risk assets; they may be purchased without the 10% limitation applicable to most bonds; and they may be used to secure U. S. Government deposits. The FICB's with maturities under six months may be rediscounted at the Federal Reserve Bank in the same way that U. S. Treasury Bonds may be. They are considered top grade obligations — income from them is taxable; they yield more than U. S. Treasuries; they are particularly attractive for banks not subject to the full 52% corporate tax. In my opinion the advantage of owning these obligations outweigh the disadvantages and I would not hesitate to recommend them as supplements to U. S. Treasury Bonds in the portfolio of any bank.

Baker, Watts & Co. To Admit Three

BALTIMORE, Md. — Baker, Watts & Co., Calvert & Redwood Streets, members of the New York and Philadelphia-Baltimore Stock Exchanges, will admit to partnership on Jan. 1, Edgar M. Boyd, John J. Jackson and G. Thomas Yeager, III.

Branch, Cabell to Admit A. F. Hughes

RICHMOND, Va.—Branch, Cabell & Co., 814 East Main Street, members of the New York and Richmond Stock Exchanges, on Jan. 1 will admit Arter F. Hughes to partnership.

Francis I. du Pont To Admit E. N. Jones

On Jan. 1 Elijah N. Jones will become a partner in Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange.

Diversified Securities Opens

ENGLEWOOD, Colo. — Diversified Securities, Inc. has been formed with offices at 3395 South Bannock to engage in a securities business. Officers are Carl Akers, President; John W. Fosket, Vice-President; and Gifford W. Gabriel, Secretary and Treasurer.

The National Economic Picture

By JAMES R. DYER*

Chairman of the Board, American Stock Exchange
New York City

American Stock Exchange Chairman predicts 1959 should be a good year for American business and that the long-term prospects appear as promising as the short-term outlook. Cautioning there are bound to be re-adjustments from time to time, Mr. Dyer points out that projections of spectacular prosperity ahead requires united effort of government, industry and labor to increase production efficiency and guard against the ever present dangers of inflation.

Last March our national economic picture afforded very little cause for rejoicing.

The principal business indicators or signposts in those days were extremely disturbing and showed all the ear-marks of an industrial recession, if not more. Just to mention a few of these for example, steel operations were down to 54.2 from 94% of capacity in the previous year; freight car loadings were down to about 544,000 from approximately 672,000; manufacturers inventories were up about $400 million and sales were down more than $3 billion; employment was off over 1,200,000 and unemployment had grown to over five million.

James R. Dyer

In those gray days, despite the numerous gloomy prophesies to the contrary throughout the country, some predicted that we would not have a depression; that no "1929" was in the making—and that, by the turn of the year, we should have ample cause for rejoicing. I may add that at that time I was heartily in accord with those sentiments.

We have still a month to go before the turn of the year and already the economic picture is generally one of confidence, a confidence not only that our most recent recession has been licked but also that 1959 should be a good year for American business.

Finds Business News Encouraging

I myself find the business news very encouraging. The report of the First National City Bank of New York in November revealed that, between the 2nd and 3rd quarters of 1958, some 700 selected corporations with over $2,300,000,000 in 3rd quarter earnings showed an increase over the 2nd quarter of more than 17% in net earnings after taxes attributable in the main to increased sales and the adoption of efficiency measures. This fact is particularly notable, for, as a general rule, 3rd quarter profits are usually down. It is worth noting too that, at the present time, personal income is at its highest level, the number of unemployed has dropped appreciably down to 3,800,000 as of the middle of November; industrial production and retail sales are on the upswing; housing starts are at the highest level in three years, with an annual rate of 1,220,000; inventory liquidation has slowed considerably; expenditures for plant and equipment are on the increase, and while not so large as in 1957, should be greater in 1959 than in this year; and, last but not least, spending by Federal and state governments is increasing appreciably. Voters throughout the land gave quite a boost to the recovery last month when they voted approval of approximately $2 billion dollars worth of local bond issues for public improvements such as new schools, roads, bridges and other public works. Nor should the future picture be dimmed by the news that some $4 billion dollars will be spent in the year to come on the interstate highway program. This is more than a billion dollars in excess of what was spent in 1958 and three times as much as was spent for this purpose in 1955.

I think that on the basis of these factors you will agree with me that the short-term outlook certainly appears to be promising.

Bullish About Long-Term Outlook

So far as the long-term prospect is concerned, I think we have some reason for feeling bullish about that too. This is not to say, of course, that the business graph will continue to rise in an unending spiral from this time forward. We know that there are bound to be re-adjustments from time to time. But, as I see it, in the absence of a global conflict, and if we can keep a check on the inflationary pressures that keep recurring, we can in the long run look forward to an era of economic prosperity.

The recent study of economic trends prepared by the Stanford Research Institute indicates that by 1975 we should be enjoying a previously unequalled state of prosperity in this country. According to this study, our population by that time should increase by 28% to more than 227 million, with an attendant increase of almost 60% in our gross national product to $629 billion dollars. It is predicted, as well, that there will be a 40% increase in personal income to $480 billion. This should mean that, at that time, the average income, in 1947 dollars, for every individual in the United States will amount to $2,160 per year as compared with about $1,900 this year. The study further finds that as a result of automation and mechanization, our present record production per man-hour should rise in every production category and that the manufacturing average will increase up to 40% from the present $3 an hour to about $4 an hour (in 1947 dollars) and this with a potential 38 hour work week.

This is a very pleasant economic condition to contemplate. It is an economic picture which ties in with the prospects of space travel, the use of solar batteries, the industrial use of atomic power, the manufacture of diesel powered automobiles on a commercial basis, and the prospect of an increasing train of inventions, of new methods of production, of a far higher standard of living and more leisure time in which to enjoy it. These predictions and dreams of the future, which once would have made most of us a little dubious about the sanity of the forecaster, no longer test our credulity, for we are the ones who in the last 10 years have seen a steadily increasing standard of living accompany a 30 million increase in our population. We have seen the introduction and growth of jet travel, the development of TV, of food packaging, air conditioning, automatic transmission, power brakes, power steering, tubeless tires, super highways and the growth of the supermarket. We have seen polio conquered and the introduction of a host of new anti-biotics. We have come to know a new era of personal economic security. We have seen an increase in personal savings of individuals to more than $300 billion. As a matter of fact, a recent report by the institute of life insurance states that individuals in the United States have assets of at least "a trillion dollars." Of course we have also seen, for better or worse, the development of the Intercontinental Ballistic Missile.

Requires United Effort

We should not be overly cynical about the pleasant picture painted for the future, however, we should understand, as realists, that to bring this dream from the planning boards and into actual operation will require much more than simple slide rule projection. It will require the united effort of government, industry and labor to increase production efficiency and guard against the ever present dangers of inflation. A quick glance at the inflationary side of the coin shows that our dollar today is worth a third less than it was worth after World War II and less than one-half of the 1939 dollar. You and I know that there is small consolation in doubling our annual income unless the dollars we receive are real and not deflated dollars. It is also small satisfaction to have an asset increase 100% in value over a period of time, if the dollars obtainable for the assets represent less real value than the purchase price.

To prevent erosion of the dollar will require continued restraint on the part of Federal and state governments to eliminate anything but essential expenditures, it will require a constant increase in industrial productivity and will require the cooperation of industry and labor to bring an end, so far as possible, to the increasingly dangerous wage-price spiral.

Must Fight Inflation

During the period 1939 to 1956, output per man-hour in the steel industry rose 64%. But during

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*A talk by Mr. Dyer before the Florida Financial Forum, Tampa, Fla., Dec. 9, 1958.

What Should Be Role of Industry in Public Affairs?

By FREDERICK R. KAPPEL*

President, American Telephone & Telegraph Co., N. Y. City

Prominent utility head perscrutates four important factors bearing on our economic health and, in cautioning against the entry of business, *per se*, into politics, suggests four things business can do in realm of public affairs and understanding.

This is what I think are some of the most important factors bearing on the economic health of the country and the welfare of everybody in it. The first is that any business must have the freedom to make itself financially strong if its products and services meet the test of competition in the market.

Frederick R. Kappel

The second is that we must not and cannot let up in our efforts to bring about **real** gains in productivity. (I say "real gains" for a reason I'll explain in a moment.) In the years ahead we shall have a rising population, more young people and older people, and a relatively smaller working force. So if we fail to be more productive our standards of living will surely go down.

This means in my judgment that industry has a very real need to increase its research and development work, including basic research. We need to invent, develop, and design new and more efficient products and services. We need better plants, methods, and systems to produce them. Incidentally, I might mention that in 1959, at Bell Telephone Laboratories, we expect to be carrying on the largest research and development program we have ever undertaken.

Now let me explain why I spoke of "real gains" in productivity. I did so because it seems to me there is a tendency nowadays to rack up estimates of increased productivity without counting in all the costs of production. The costs that get left out are the added capital costs as investment increases. To my mind all the charts, graphs, estimates, and forecasts that leave these cut are just so many statistical fantasies.

This bears directly on my third point—namely, that the continuous hiking of wages beyond real gains in productivity is sure to intensify inflation. As industry makes such gains, everyone ought to share the benefits. However, if wage increases absorb them all, and more besides, not only is sharing impossible—we are living beyond our means and in the long run no one will benefit. In my judgment also, the practice of guaranteeing additional wages in future years tends to increase the danger even further.

Fourth on my list, we have this tremendous pressure for government spending; and at the same time, disposition on the part of many people in government to put more and more restrictions on business. There may be better ways than this to commit fiscal suicide, but if there are I haven't heard about them. Added restrictions only make it harder for business to do what it ought to be doing — that is — take more risks, sell more goods, and produce the earnings without which the tax collector can never find the money to pay the government's bills.

Stronger Impulse for Federal Spending

As I read the news, the impulse or drift or drive—whatever you want to call it—toward more government spending now seems stronger than ever. This disturbs me not a little, and I notice it also disturbs quite a few members of Congress itself. In these circumstances the eventual danger seems to me to lie in the establishment of wage-price controls. I think such controls in peacetime would mean the end, at least to a large extent, of what we call our free enterprise system. And I believe we must find a way to bring the American people face to face with the question—is this what they want?

As I remember, it was Mark Twain who said that everybody talked about the weather but nobody ever did anything about it. Nowadays everybody talks about inflation, but few of the efforts to do something about it have had conspicuous success. Ideally, if inequities in taxation were eliminated or minimized, the overall tax burden on business reduced, and individual incentives restored, I think gains in productivity would accelerate, we would have much less inflation of prices, real wages would increase, business would do more business, and government revenues would be greater.

Maybe not every economist would agree with that statement, but I know some who do, because I asked them to read it before I said it and they gave me a green light. Moreover, my observation is that government is just full of able, hard-working and reasonable men who have much the same fundamental thoughts. As a practical matter, however, circumstances press them hard. They must read the wishes and attitudes of their constituents—which they are in no position to ignore. It is difficult for them to act always as they would most deeply and personally desire. And I think we in business have added to their difficulties by failing to expose ourselves, our ideas, and the facts at our command in ways that win widespread belief.

Pitfalls of Business in Politics

All of us hear more and more these days that business should throw off past restraints and "get into politics"—to put that phrase in quotes. It is a phrase that can be interpreted in different ways. One interpretation — and a good one—is that businessmen as individuals ought to be more active in public and political affairs. I'll say a word about that in a moment. First, however, let me comment briefly on another interpretation which seems to me dangerous. This is that with labor already in there pitching to get candidates nominated and elected, business—as such—had better get going and do the same.

I think this idea can do great harm. In the long run I think it would fail even if it were to have some immediate success. The reason it would fail is that any time the people of this country decide that their elected representatives have been maneuvered into office by a particular group—be it organized business or organized labor—they will, and they should, vote them out. It may take a little time, but it will happen.

What then should we in business be doing about these things? How can we bring about better relations between ourselves and our representatives in government? What is our proper responsibility in public affairs? How shall we increase public understanding of the problems of industry, and confidence in our determination and ability to serve the public interest? Again I shall mention four points.

Number one in our business—and I would assume in any business—is that we simply must do the best possible job for the people we serve. I know that sounds obivous and I am sorry if you think I am being trite. But we can never, never forget this. In my humble opinion, it must always be the first thought in our minds.

The second point I tried to express when I was talking to a group of telephone people a couple of months ago, I said it this way:

Doing our best is not enough. We must also tell our story and tell it convincingly. We must do this in every community. We must see to it that the public really knows us, and that the public's representatives in government are directly and fully and honestly informed about what we are trying to do. If we are given treatment that we believe is wrong or short-sighted, we must say so and say why—and never stop working to get the situation corrected. When, on the other hand, regulators and legislators give us the means and encouragement to step up progress, then we must work to the limit to justify their confidence.

Just in passing, as an example of a situation that needs correcting I might mention the Federal excise tax on telephone service, which is paid directly by telephone users. This began as an emergency measure and is one of the most discriminatory of all taxes. In fact, the telephone is the only household utility that is so taxed. We realize well enough that now may not be the right time to reduce taxes. But the fact is that proposals have now been made, which if given legislative sanction, would embed telephone excise taxes **permanently** in **both** the Federal and state tax structures. This would perpetuate discrimination and we shall oppose it by every proper means. I hope others will too.

However, I should also like to add—let us once and for all get over the habit of going to people in government when we need something, and ignoring them when we have nothing to ask for. Let's never ignore them—and I mean never. Let us rather, as their constituents, invite them on all suitable occasions to tell us what they have been doing. Let us invite them also to see what we have been doing. Let us tell them our plans, and take a sincere interest in theirs. Let us by all means increase our understanding of their problems, as we hope they will gain insight into ours.

To do this will not of itself settle anything. Nor do I think it should. But if we in business are the kind of people we ought to be, then it ought to be good for people in government to know us as we are. In addition it ought to foster more interest in government on the part of more people in business.

This last is really my third point. You remember I said that I though business should be very wary of taking the same kind of leaps into politics that labor is taking. But I certainly did not mean that businessmen as citizens should lie down and play dead. On the contrary, business and especially big business has been criticized, and it seems to me with justice, for making it difficult for people in management to take part in public affairs. The net

Continued on page 36

*From a talk by Mr. Kappel before the Bond Club of New York, Nov. 20, 1958.

Connecticut Brevities

One of Connecticut's largest brass manufacturers has entered a new field. **Scovill Manufacturing Company** of Waterbury is now producing extruded uranium alloy rods under a license from the Atomic Energy Commission. The rods will be used for fuel elements in commercial reactors for production of electrical power.

* * *

The Allen Manufacturing Company, producer of hex socket cap and set screws and other products, is now in operation in its new 250,000 square foot Bloomfield plant. A two-story office building providing an additional 20,000 square feet adjoins the one-story manufacturing area.

* * *

Kaman Aircraft of Bloomfield has announced the award of a $10 million "follow-on" contract for 54 of its H-43B helicopters by the U. S. Air Force. The company, a pioneer in the development of turbine helicopters, is already producing H-43 helicopters under another contract awarded some time ago. The firm also has a $13 million Navy contract for its HU2KO1 turbine utility helicopter.

* * *

Escambia Chemical Corporation recently opened its new 50,000 square foot research laboratory in Wilton. Escambia plans to employ 100 persons in the laboratory which will be used exclusively for research in chemicals, including pharmaceutical intermediates, materials for the plastic industry and synthetic organic chemicals.

* * *

A continuous photocopying machine, the Contour-Matic, is a new product of **F. G. Ludwig, Inc.,** Old Saybrook. A revolutionary feature of the machine is a plastic cartridge in which processing liquids are premixed, eliminating mixing and pouring and adding new efficiency to photocopying. The new machine has been precision engineered so that it is now one of the smallest and also the lightest photocopier on the market.

* * *

The Standard Insulation Company of East Rutherford, New Jersey has been purchased by **C. H. Dexter & Sons, Inc.,** a Windsor Locks paper company, for an undisclosed amount. The New Jersey firm, which will be operated as a wholly-owned subsidiary by C. H. Dexter, specializes in the coating, lamination and impregnation of paper, fabric, glass cloth and foil.

* * *

United Aircraft Corporation of East Hartford recently announced the formation of United Research Corporation to sponsor research in propellants for missiles and space craft and for research activity in other fields related to the company's interests. The new research arm, whose directorate will include some of the nation's outstanding scientists, will operate as a subsidiary. The new subsidiary will work closely with the Stanford Research Institute of Stanford University and plans to enter into working agreements with other research institutions.

* * *

Fairfield County Trust Company of Stamford and **Bethel National Bank** have agreed upon merger terms. If approved by stockholders Dec. 22, the merger will become effective Jan. 1, 1959. Plans call for Bethel stockholders to receive three shares of Fairfield County common for each share of Bethel. Following the merger, total resources will be in excess of $140 million and combined capital, surplus and undivided profits will be in excess of $10 million.

* * *

Stockholders of **Gray Manufacturing,** Hartford, have been offered the right to subscribe to 90,218 shares at $8 a share on the basis of one share for each four held. The rights expire Dec. 22. Proceeds will be added to the general funds of the company and will be available for general corporate purposes, including working capital.

* * *

Consolidated Controls Corporation, a subsidiary of **Consolidated Diesel Electric Corporation** of Stamford, has received contracts totaling approximately $600,000 for the design and manufacture of primary plant instrumentation for the first nuclear powered United States Navy destroyer. The company is also at work on a project involving instrumentation design and manufacture for a nuclear powered aircraft carrier.

2338 Sales, Inc. Opens in Houston

HOUSTON, Texas—2338 Sales, Inc. has been formed with offices at 2338 Bank of the Southwest Building to engage in a securities business. Officers are William H. Hendrickson, Chairman of the Board; Patrick W. Brady, President; and Robert U. Parish and John T. Trotter, Vice-Presidents.

William H. Hendrickson Opens Office

HOUSTON, Texas—William H. Hendrickson is conducting a securities business from offices in the Bank of the Southwest Building. Mr. Hendrickson, who was formerly Vice-President of Underwood, Neuhaus & Co., Inc., is also Chairman of the Board of 2338 Sales, Inc.

Joins R. B. Sideckas

(Special to THE FINANCIAL CHRONICLE)

SHREWSBURY, Mass.—Thomas L. D. Daley is now with R. B. Sideckas & Co., 47 North Quinsigamond Avenue.

C. J. Mahoney Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Irving C. Hinck has been added to the staff of C. D. Mahoney & Co., Baker Building.

With Southern Investment

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Ernest G. Fowler, Jr. has become connected with Southern Investment Company, Johnston Building.

Present Trends in Business, Employment and Prices

By EWAN CLAGUE*

Commissioner of Labor Statistics, U. S. Department of Labor
Washington, D. C.

The U. S. Commissioner of Labor Statistics now reports that jobless figure jumped from its seasonal low of 2.5 million in October, 1957, to about 5.2 million in early spring of 1958 before turning. Looking ahead he anticipates business recovery will continue but at a slower rate than has existed during the past six months and will be accompanied by a more moderate and slower improvement in employment than in output. Mr. Clague dismisses inflation as a short-run prospect though not as a possible long-run problem, expects gradual expansion in personal income and a seasonal decline in employment this winter, and calls attention to moderately high productivity in 1958. Estimates normal unemployment — less than 4% of labor forces—will be reached when GNP increases $35-$40 billion, or to about $475-$480 billion.

The economy is now in the full swing of business recovery. We are nearing the output level which we enjoyed when the business recession began a year ago last summer. Soon we shall undoubtedly be in new high ground, both in production and in consumption. However, we are far from having reached previous levels of employment, investment, capacity utilization, and a number of other economic factors.

Ewan Clague

In attempting to gauge present trends and future prospects, we must look at the behavior of key statistical series which furnish guide-lines to the state of the economy. Among the most important of these are employment and unemployment. Detailed employment reports from industry and government show that the number of employees in private industry and in government establishments dropped by 2.8 million from the peak in the summer of 1957 to the spring of 1958. Of this decline in employment, manufacturing industries made up over two-thirds; and in manufacturing the durable goods industries made up over two-thirds. Pinpointing it still further, about one-quarter of the total decline in nonagricultural employment occurred in three major industries — automobiles, steel, and machinery. Stated simply, the major factor in the recent decline was the loss of jobs in the durable goods manufacturing industries.

In addition to the decline in employment, there was also a decline in the amount of time worked by those workers still on the job. The average hours worked per week in manufacturing industries declined from about 40 per week in the late summer of 1957 to 38.3 hours per week in the spring of 1958. This in itself represents a decline of 4% in actual working time. The effect upon income of the shortened workweek was particularly severe, since about half the decline occurred in overtime at premium pay.

Lag in Manufacturing Labor Employment

Since the low point in April, employment has recovered over one-half of the recession loss, that is to say, employment now has risen about 1½ million from the low point last spring. Likewise, the hours of work have now climbed back up to nearly 40 per week and are about at the same level as they were a year ago. In manufacturing industries, employment has recovered about 650,000.

Of course, seasonally adjusted, the recovery since April has been somewhat less impressive than these unadjusted figures would indicate. Adjusted for normal seasonal changes, nonagricultural employment as a whole since April has recovered about 30% of the recession loss, while manufacturing has regained less than 20%.

According to the Bureau of the Census, which measures total unemployment, the number of jobless increased from a seasonal low of 2½ million in October, 1957 to about 5.2 million in early spring of 1958. Normally there is a substantial seasonal rise during these 6 months, but this last increase was about 2 million more than usual. After showing largely seasonal movements during the early summer, unemployment dropped by 1½ million between July and October 1958. This was the greatest decline for these three months for any year since World War II. Unemployment in October 1958 was 1.3 million higher than a year earlier while total employment, according to the Census Bureau, was 700,000 below the year-ago figure. The difference of 600,000 reflects the growth of the labor force.

Sees Seasonal Employment Decline

Since farm work and other seasonal industries such as construction will be turning downward from now until the middle of winter, total employment in the economy will decline substantially and unemployment should rise. If the business recovery continues, the contraction in employment will be modified but the reduction will nevertheless be considerable.

Correspondingly, the usual winter increase in unemployment would be dampened but we may expect to see relatively high unemployment persist until the spring of 1959 when there will be a rise in employment and a decline in unemployment, with both the seasonal and cyclical working together. Some time late in 1959 employment could reach a new high level and unemployment may decline toward more normal prosperity levels.

1958's High Productivity

One economic factor which has a bearing on the rate of re-employment is productivity, or the output per man-hour. Statistics of productivity during the postwar period present the following picture: (a) the catching-up of comparatively high productivity, 1947-1950, when some of the dislocations of the war period were brought under control; (b) then a slowing down during the Korean outbreak when productivity was adversely affected by wartime shortages; (c) next, a period of high productivity during the recession and recovery in 1954-55; and finally, a leveling off of productivity in high prosperity, 1956-57. Judging by the behavior of the productivity data in the business recovery from the recession of 1954, the year 1958 should be one of moderately high output per man-hour. During a recession businessmen try to cut costs wherever possible, eliminating any unnecessary labor that they can discover and dispensing with a certain amount of maintenance and repair. Consequently, production during business recovery generally runs ahead of the rate of re-employment.

The significance of this factor can be gauged if we make some assumptions concerning the rate of productivity increase in 1959. In manufacturing, if we assume a rate of 3%, it would mean a reduction in job requirements (for the same output) of about 500,000 jobs. A rate of 5%, which would be exceptionally high, would represent a saving of about three-quarters of a million jobs. For the economy as a whole, a rate of 3% would mean almost 2 million jobs.

Need $475-$480 Billion GNP

Thus, in order to bring about a reduction of unemployment to previous prosperity levels the business recovery in the volume of physical production must rise until three factors have been overcome. First, the creation of jobs to replace those eliminated by the gain in productivity; second, the rise in jobs to take care of the existing unemployed; and third, the jobs needed to absorb increases in the labor force of about 700,000 or 800,000 per year. These three combined would, on a crude estimate, require a rise in gross national product of about $35 or $40 billion. When that level is reached, (that is, about $475-$480 billion with no rise in prices) we might expect that the unemployed would be reduced to levels more consistent with prosperity—say, about 4% of the labor force.

No sooner are we emerging from the recession than people are beginning to worry again about inflation. This may turn out to be a problem in the longer run, but it is not an immediate prospect. Price increases are seldom significant until the economy blossoms forth into full prosperity, when manpower and capital equipment are fully employed.

Evaluates Price Indexes

The Wholesale Price Index shows that business prices have been well sustained during the recession—that is, the prices of products other than farm products and foods. These are now about 26% above the 1947-49 level and have remained stable for nearly two years. Farm prices, on the other hand, after a sharp recovery from the low point of late 1955, have now begun to decline. Therefore, this index as a whole is now drifting slightly downward.

The Consumer Price Index, after a four-year period of stability from 1952 to the spring of 1956, showed a rise of about 8% in the next two and a half years, from the early spring of 1956 to July, 1958. In August it turned down slightly, and in September it remained at this slightly lower level.

The short-run outlook is for a continuation of this recent stability, with small fluctuations either up or down, but without much change in level. This outlook for the index is based in part upon the possible decline in some agricultural prices, though not necessarily all such prices. During the past year, there was a sharp rise in the prices of fruits and vegetables to new all-time highs —due primarily to bad weather conditions in the spring of 1958. The 1958 rise of food prices was further sharpened by large increases in the prices of meats, which have been recovering from the low prices of three years ago. It now looks as if both these factors may be operating in the opposite direction, thus reducing to some extent the price of food to consumers. Some modest declines in food prices may help to offset likely increases in other parts of the index.

Wage rates continued to rise during 1958, though at a somewhat slower pace than in previous years. However, the actual weekly earnings did not increase so fast; in many industries they fell below corresponding 1957 levels. This was due to a decline in the hours of work, both overtime and regular. Weekly earnings in manufacturing industries fell by two dollars a week from the peak in the summer of 1957 to the low point in the spring of 1958. Coupled with the rise in the Consumer Price Index, this meant a sharp curtailment of the purchasing power of factory workers. This loss or purchasing power has now been largely restored. In September, 1958, average weekly earnings in manufacturing rose to over $85 a week for the first time in history.

Labor Income

Total labor income in the economy dropped by $9 billion from the peak to the trough, but by now labor income is very close to its previous high of a year ago, being about $1 billion short in the total of nearly $250 billion. And total personal income is at new highs. Rising employment, coupled with rising wage rates and with increasing hours of work, implies for the near future a gradually expanding personal income in the hands of consumers. This will be one factor making for further business recovery.

The sustaining influence of social security and other types of welfare payments was well demonstrated during this recession. As was indicated above, a decline of $9 billion occurred in labor income. However, as a partial offset there has been a rise since August 1957 of $5.7 billion in the annual rate of transfer payments—old-age and survivors insurance, unemployment compensation, private industry pensions, and other types of welfare payments. Thus, a considerable fraction of the loss of labor income through reduced hours of work and unemployment was made up by these transfer payments to retired and unemployed persons. Certainly this helped to sustain consumption during the recession. Consumption, in fact, declined by only about $2 billion from the peak to the trough; and it had already reached new high ground in the summer of 1958.

Summary

In summary, the outlook is for a continuation of the business recovery, though perhaps at a slower rate than has existed during the past six months. This will be coupled with a more moderate and slower improvement in employment than in output; and so unemployment will improve more slowly than any other economic indicator. The economy will have to expand by at least 10% in the next year in order to bring about a reduction in unemployment to 4% of the labor force, or better.

*An address by Mr. Clague at the November "Round Tables for Business Executives" held at the New School for Social Research, New York City.

Stone & Youngberg Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.— William H. Luyties, Jr. is now affiliated with Stone & Youngberg, Russ Building, members of the Pacific Coast Stock Exchange.

THE MARKET . . . AND YOU

By WALLACE STREETE

Except for drugs generally and some of the high-priced, hence split-candidate, issues, the stock market was largely an aimless affair this week with industrials holding within easy reach of their record high.

* * *

Enthusiasm for the drug shares was unrestrained and they took turns at staging multi-point daily runups with most of them automatically listed among the stock split possibilities which added that much more to the interest in them. What profit-taking centered on them was well absorbed for the most.

* * *

Natural gas issues and some of the lines allied with them such as pipeline producers were able to get at least a momentary lift out of winning Supreme Court reversal of the so-called Memphis case decision which had posed a serious threat for the entire industry. It ended the threat of a ruling that called for well-nigh impossible agreement by all of a company's customers to a rate hike and will probably reactivate much deferred expansion. The strength generated by all this enabled the utility average to nudge to a new peak for more than a quarter century, but not with too much conviction.

* * *

Oils continued to drag their heels and rails were far from prominent, some of the threats, and one actual move, by eastern carriers to abandon passenger service keeping investment interest a bit restrained.

* * *

Zenith, which has been the pet in the radio-TV section on expectations of fat earnings, bumped into something of a roadblock finally but not before it had soared sensationally and added around half a hundred points to its price in about a week. One day gains of a score of points were also posted by some other high-priced items, including International Business Machines and Great Atlantic & Pacific Tea on the eve of its 10-for-1 split and the switch from the American Stock Exchange to the New York Stock Exchange.

ATT in Good Form

American Telephone, also among the quality items, was in good form at times, hovering just under the best price posted by this issue since 1930. There doesn't seem to be any particular reason for this strength other than the company's demonstrated money-making ability despite the heavy dilution and its rather generous yield at a time when other blue chips were showing minuscule returns on their inflated market prices.

* * *

Some of the electrical utilities were also available at above-average yields running past 4% in such as Baltimore Gas and Southern California Edison. Utility earnings results have been making good reading throughout the recession but the rate of growth in power sales was down this year to the smallest gain in almost a decade. The long-term growth consequently was seen as flattening out temporarily and kept investor interest cautious.

Tires in the Limelight

Tire shares took turns in limelight, Firestone and General Tire taking over the stage this week when the others rested after having had their fling. General Tire, in addition to participating in the increased demand for replacement tires, has the romance of its missile-rocket subsidiary, Aerojet-General, which is 87.4% owned by General.

* * *

Apart from an occasional and short-lived individual star, the aircraft-defense section continued mostly drab. In the defense group Sperry Rand had a rather hard time earningswise, the stretch-outs hurting. But its defense orders have been spurting as the nation's rocket program gets more and more involved and Sperry earnings, too, have turned a definite corner since late last year. Company predictions indicate that the upturn is continuing and projections point to profit improvement right into 1960.

* * *

Another issue that has come through hard times is Blaw-Knox which suffered along with heavy industry generally. A strong recovery, however, has given Blaw-Knox the chance to show better earnings than expected. Some estimates run to around $3.80 a share against $3.99 last year which prompted a recent increase in the dividend. And here, too, continued improvement into next year seems assured.

An Attractive Oddity

An oddity that offers an exceptionally handsome return is Great Northern Iron Ore which derives its income from royalties on iron ore property leases and which was depressed along with the steel industry generally. The 1958 dividend of $3 had to be cut to $2 this year, reflecting the lower earnings. But even in the face of the reduction its yield has run nearly 7½% and the stock has hovered only a bit above its year's low. The prospect is for a substantial improvement in its fortunes next year.

* * *

With the building industry one of the brighter spots in the economy, the shares of the associated companies might have been expected to attract attention. Yet Johns-Manville, the quality item in the section, is still available at a yield of 4% even in the face of a good earnings comparison this year and further improvement assured for next year. New plants have been added and a proposed merger with LOF Glass Fibres will further diversify the company and bolster its future earning power.

U. S. Cross Section

For participation in the economy on a broad front with limited holdings, one service offering was interesting in that the six well-known items in the "portfolio" represented 29 basic industries in all. The half dozen suggested were du Pont, General Electric, Minnesota Mining, National Lead, Standard Oil of New Jersey and Union Carbide which was billed as covering lines from petroleum to chemicals to autos and electrical equipment. Or as the selection was dubbed: a cross section of America.

* * *

du Pont, particularly, can be considered a laggard in the market's latest run to a historic peak. Except for a brief foray above the 200 line, the shares have been holding in an area some half a hundred points under the peak set three years ago. Its return of around 3% isn't munificent but is adequate for an issue of this caliber. Lately the company has been prominent in cutting prices of some of its miracle products to broaden their use. At the same time the company has been busily expanding its production facilities, making it hard to believe that du Pont's classic growth status is over.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

With Lester, Ryons Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Landon de M. Bower is now affiliated with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James W. Richardson is now with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was previously with Blalack & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

Vice-President Nixon is like the star player on a football team. The opposition always tries to get to him, pile on him, stomp him, anything to get him out of play. Unless his own men give him good protection he is badly mauled.

Carlisle Bargeron

Nixon is looked upon as the star player on the Republican team. The word has gone out to get him. At the conclave a few days ago of the Democratic National Committee there was as much talk of how to handle Mr. Nixon as anything else, Paul Ziffren, National Committeeman from California, sized up the thinking of the gathering when he said "Nixon is the man to watch. Watch Nixon."

That means that everything Nixon does and says for the next two years will be studied closely by the Democrats and at every opportunity they will pounce upon him. If he is able to stand on his feet at the end, he will undoubtedly qualify as All-American.

Harry Truman says he hopes Nixon is the Republican candidate because he would be the easiest one to beat. That was the strategy he used on the late Bob Taft in 1952. Jack Redding, Truman's publicity man in those days, in a book has revealed how Truman thought that Taft would be the hardest man to beat. So he kept up his chant about his being the easiest and in time had Republicans talking that way.

The Democrats will have plenty of opportunity to get at Nixon because he will have plenty of things to do and to say in the next two years. He intends to step up his activity. He has long had an invitation from Chancellor Adenauer of West Germany to pay him a visit and he intends to do so just as soon as the proper occasion presents itself. He is also hankering to go behind the Iron Curtain but doesn't think that would be practical at this time.

His trip to England is looked upon as a great success. Even the newspapers which treated him rather snidely at first were singing his praises before his departure. That was probably as profitable a visit as he ever made because the British people had been studiously given a bad picture of him. He was looked upon as a Tricky Dicky, a description which his enemies in this country like to use. The British people were surprised to see a well-groomed young man with a charming wife who not only conducted himself perfectly but was well-grounded in world affairs.

It was important that he make good with the British because, being like we are, we are not likely to elect a man President who does not meet with their approval. Our whole life is spent these days in trying to merit the praise of foreign nations. This is not confined to Britain but the people of backward countries. We are frequently being told by our leaders that if we don't do this or if we do this or that the people of Indonesia will get the wrong impression of us.

I remember a book once by Rupert Hughes "What Will People Say." Never in our history have we been so concerned in what will people say.

Mr. Eisenhower has a new committee now studying foreign aid, and it is expected to come up with a report saying more foreign aid is necessary. Congressman Passman of Louisiana, Chairman of the Subcommittee on appropriations for foreign aid, thinks the study committee is a plot to take foreign aid, as distinguished from military aid, away from his committee and wrap it up with defense aid. He has promised to reduce the amount being spent for foreign economic aid. President Eisenhower has indicated that he will ask for a greatly increased appropriation. It is a fact that nobody expects the President's Committee to recommend a reduction.

A considerable increase in the military budget is looked for in spite of Mr. Eisenhower's seeming desire to effect some savings here. Whatever budget Mr. Eisenhower comes up with is likely to be increased by Congress.

Hemphill, Noyes & Co. To Admit A. L. Cameron

Hemphill, Noyes & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Alan L. Cameron to partnership.

Security Assoc. Office

MELBOURNE, Fla. — Security Associates, Inc. have opened an office at 224 Strawbridge Avenue under the direction of William Hambrecht.

Public Utility Securities

By OWEN ELY

Northern States Power Company

Northern States Power, largest utility in the West Central area, has annual revenues of about $150 million and serves about 2.4 million people in an area of 40,000 square miles. The System is interconnected except for two small sections in North Dakota. About half the population lives in Minneapolis and St. Paul, one-quarter in medium-sized cities, and one-quarter in small towns and rural areas. The company has a healthy sales diversification, both between city and country areas and as to diversity of industries. About 25% of revenues are residential and rural, 23% commercial, 24% industrial and 8% miscellaneous.

While the area is sometimes characterized as based on farming, today industries based on food and related products contribute only 5% of total electric revenues, and there are a large number of other light industries. For example, General Mills is still primarily in milling and food processing but has an important mechanical division devoted to making plastic balloons, missile components, and remote-controlled mechanical manipulators. Archer-Daniels-Midland, known as a linseed oil company, has branched out into several new activities. Minnesota Mining & Manufacturing is constantly developing new products. Other well-known industrial customers are Minneapolis-Honeywell, U. S. Rubber, Trane Company, Cargill, Pillsbury Mills, Minneapolis-Moline, Remington Rand Division of Sperry, etc.

While population growth in the four States in which Northern States Power operates has been less than the national average, the growth in the special area served by the company exceeds the national average, having been up over 14% in the past seven years compared with the national average of 12%. The greatest growth has been in the Twin Cities area, next in towns of 2,500 to 60,000, the smallest in rural areas. The movement of population from the rural areas to the cities has resulted from more mechanized farming, and improvement in transportation facilities. While the major part of the readjustment has probably occurred, the rural areas should continue to grow at a slower rate than the cities.

The Twin Cities represent both the geographical and electrical center of the System, and most of the generating capacity is located there. Generating capacity is about 83% steam (18 plants), 14% hydro (38 plants), and 3% diesel (20 plants). Total capability is 1,490,015 kw, and two 170,000 kw units are under construction—one to go on the line in 1959, and the other in 1960. The company is also (in cooperation with ten other midwest utilities) constructing a 66,000 kw atomic reactor for completion in 1962. The plant, to be located near Sioux Falls, South Dakota, will be of the controlled recirculating boiling water type (developed by Allis-Chalmers, the prime contractor).

Installation of new generating units has resulted in a marked increase in plant efficiency. In 1941 average Btu per kwh was 16,700, and by 1961 should be reduced to 11,500. (The 1957 U. S. average was 11,370). Some of the newer units operate at 10,000.

Gas operations account for about one-seventh of revenues, with service to 35 communities. Of these only 19 are served with natural gas; the company has been anxious to obtain natural gas for the remaining towns but has met with one delay after another. It has encountered the same difficulties as other utilities in the middle west in obtaining increases in gas rates to counter high prices charged by suppliers. Last spring the company had troubles in obtaining an increase in the City of St. Paul to offset the jump in the purchased cost of gas, but the company went to court and obtained a temporary injunction, permitting it to charge the higher prices.

The company's construction expenditures will approximate $59 million in 1959, $65 million in 1960, $43 million in 1961 and $57 million in 1962. The company expects to rely on bank borrowings until the fall of 1959 when there may be equity financing, and possibly a preferred stock issue if the market is right. At the end of 1958 capitalization ratios should be approximately as follows:

Debt	49%
Preferred Stock	19
Common Stock Equity	32
	100%

During 1951 to 1957 the company maintained an average annual increase in kwh sales of 7.6%, and with the benefit of a rate increase, revenues gained 8.0%. During the years 1957 to 1962 a gain in kwh sales of 7.2% is forecast, while revenues should increase at the rate of 6.7%. The area has "inherent resistance" to reverses in the business cycle, and probably lost only about 1% in revenues this year due to the business recession. It has experienced the main losses to be expected from competition with the big power development in the Missouri River Dams and has come through the experience very well.

Industrial sales are showing a gain this year of about 4% instead of 8% last year. However, the weather has also been a depressing factor in 1958—there was a warm winter and cool summer, and recently the company has again been experiencing unseasonably warm weather. Nevertheless, President King estimates earnings for calendar 1958 at around $1.29 compared with $1.25 in 1957 and $1.22 in 1956 (using average shares). He expects earnings of about $1.37 on average shares in 1959.

Northern States Power has been selling recently around 22, yielding 4.5%. The price-earnings ratio is slightly over 17, close to the industry average.

Baltimore Bond Club Annual Meeting

BALTIMORE, Md. — The Bond Club of Baltimore will hold its annual meeting Dec. 11 at the Merchants Club. The following slate has been nominated for the ensuing year:

President: Howard E. DeMuth, John C. Legg & Company.

Vice-President: William L. Reed, Robert Garrett & Sons.

Secretary: William O. Schach, Merrill Lynch, Pierce, Fenner & Smith.

Treasurer: William S. Warner, Stein Bros. & Boyce.

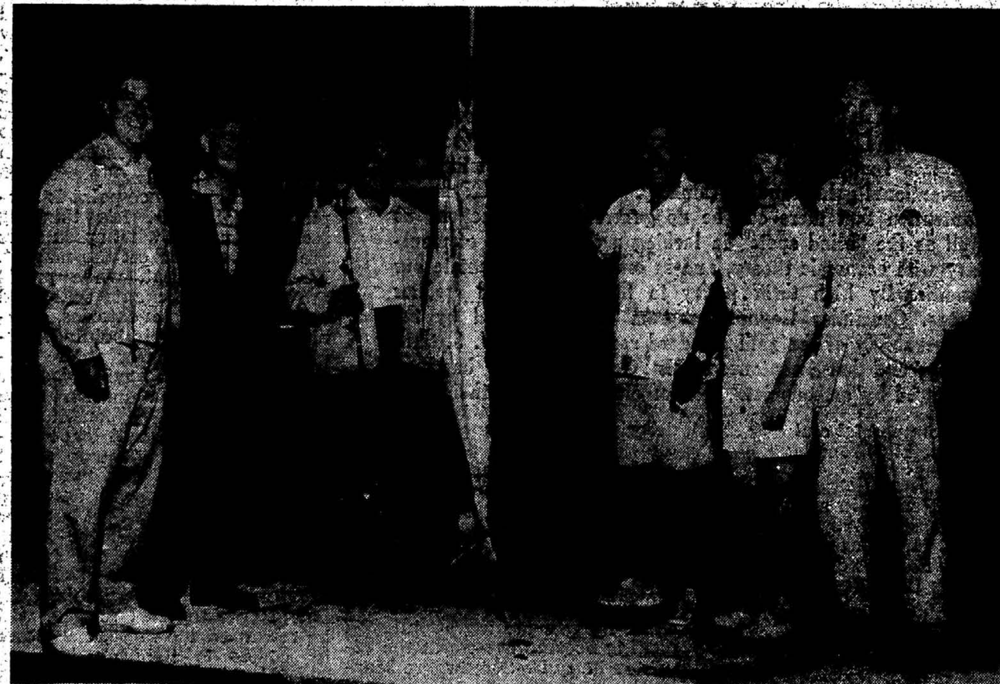
Governor: Charles G. Lord, Baker, Watts & Co.

Chairman of the Committee on Arrangements: S. Bonsal White, Alex. Brown & Sons.

Dual Planning Branch

SILVER SPRING, Md. — Dual Planning Corporation has opened a branch office at 8605 Cameron Street under the management of Max Zerkin.

THIS ONE DID NOT GET AWAY



Henry Harris, Goldman, Sachs & Co., is the proud captor of the largest sailfish caught during the Investment Bankers Association Convention. The prize was taken on a fishing trip on the yacht Poseidon belonging to Maurice Meyer, Jr., Hirsch & Co., New York.

Left to right in the picture: Hal E. Murphy, Commercial & Financial Chronicle and Standard & Poor's Corporation, New York; Robert Thayer, Lehman Brothers; Henry Harris, Goldman, Sachs & Co.; Maurice Meyer, Jr., Hirsch & Co., New York; Mr. and Mrs. Walter Morse, Lehman Brothers, New York.

Irving Trust Enters Federal Funds Field

New York bank establishes Federal funds central market which will be available to all banks. It will service both buying and selling orders.

The Irving Trust Company, New York City, has announced that it is setting up new facilities to provide a central market for buyers and sellers of Federal funds. Orders to buy and sell Federal funds, which are the reserves of member banks held at Federal Reserve Banks, will be brought together by the Irving to broaden the Federal funds market. The service will be available to all banks throughout the United States. There will be no charge for the service.

The Federal funds market has grown at a rapid pace in recent years. Frequently transactions amount to more than $1 billion in a single day as banks all over the country seek to adjust their reserve positions by trading in Federal funds. Any member bank may trade with any other member bank regardless of location in the country. Buyers and sellers of Federal funds are looking for each other at all times. The volume of activity and the rates at which trades are effected vary as the money market tightens and eases from time to time. Officials of the Irving Trust Company feel that nationwide trading in Federal funds will be facilitated by providing the services of a major money market bank.

The new activity will begin operations immediately and will be headed by Nelson W. Kimball, Assistant Vice-President.

With Gaither & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Loretta A. Brennan is affiliated with Gaither & Co., Inc., 11900 Shaker Boulevard, members of the Midwest Stock Exchange. Miss Brennan was formerly with Baxter, Williams & Co.

$200 Million Bonds of N. Y. Power Authority Slated for Market

Dillon, Read & Co. Inc., Halsey, Stuart & Co. Inc., Kuhn, Loeb & Co. and W. H. Morton & Co. Incorporated, joint managers of an underwriting group, announced Dec. 9 that negotiations are under way with the Power Authority of the State of New York for the sale of $200,000,000 general revenue bonds, series E, looking to a public offering on or about Jan. 6, 1959. It is expected that the offering will consist of term bonds due in the year 2006 and serial bonds in proportions which have not as yet been determined.

The bonds will be tax exempt as to interest from Federal income taxes and New York State income tax, and will be legal investments under New York law for insurance companies, banks and trust companies, savings banks and certain trust funds.

LETTER TO EDITOR:

Comment on Papers By Hazlitt on Keynes

Frank Cist, taking issue with Henry Hazlitt's attacks on the theories of Lord Keynes in "Chronicle" articles, charges they fall into fundamental errors characteristically committed by conventional gold standard thinking. Cites the anti-Keynesian contention that there can be no general overproduction; as well as the "blind spots" in lacking a coordination of monetary with economic theory, and in omitting to reorientate our traditionally high tariff policy to fit our changed creditor status. Concludes Keynes' program is necessitated by the unworkability of the gold standard resulting from U. S. tariff policy; and that acceptance of his "General Theory" has been enhanced by orthodoxists' lack of clear theory of their own.

Editor, Commercial and Financial Chronicle:

I

Henry Hazlitt, in articles in the "Chronicles" of Aug. 28, Sept. 4 and Sept. 11, attacks with his usual vigor the theories of the late J. M. Keynes. Unfortunately, if I am right about it, these articles fall into two very fundamental errors, of which conventional gold-standard thinking in this country has been often guilty and which, because of their prevalence, deserve comment.

Frank Cist

II

The first error is one of commission. It lies in the assertion that there can be no such thing as *general* overproduction. In espousing this fallacy, Hazlitt follows a long line of distinguished classical predecessors, Jean Baptiste Say, John Stuart Mill, Alfred Marshall, Benjamin Anderson and many others. It was Say who originated the error arguing that what a man sold constituted his purchasing power for what he bought, ergo, if he sold twice as much he could buy twice as much; hence, so long as the proportions were kept right, there was no foreseeable limit to what he could produce and sell.

Technical as this subject undoubtedly is, it has sufficient practical importance to warrant careful study. This is because Say, in denying the possibility of a *normal* level of general production, makes all economic reasoning circular. **(Note 1)** We are still able to describe the ups and downs of the business cycle, for instance, but are deprived of a definition of the pivot, the normal line, around which the swings occur. Thus when conventional gold-standard doctrine tells us that high prices and wages and gold-mining costs discourage the mining of gold and that the resulting scarcity of new-mined gold and new credit exerts a depressing effect on prices and wages and mining costs and that these in turn then revive the mining of gold, expand monetary gold reserves and credit, cause prices and wages and gold-mining costs to mount, all this does no more than bring us back to where we started. But are prices *never* too high? Is gold mining *never* deficient? From any common sense view there must be some norm around which these swings occur. But where is it? Conventional theory has no clear answer. It lacks a sound reference point. Hence Central Banking policies have no magnetic north for their compasses and can justify their policies on no completely logical basis. **(Note 2)**

It was by but a hair's breadth that Alfred Marshall missed identifying this normal level. His description of the normal level in the case of a single product could not have been bettered. His little boy picking blackberries quit because he lost his appetite for more blackberries on the one hand and got tired picking them on the other. The "utility" of the blackberries diminished and the "disutility" of the labor increased while he was picking. Continued picking became not worth the effort as he quit. Somewhere Marshall uses the words "worth while." Magic words, "worth while"! he had only to have extended his concept of worthwhileness to general industry to have defined the normal level of general production around which our business cycles swing.

Why do people work harder in temperature climates than in the tropics? It is because their wants are more easily satisfied, their lethargy is greater. Why does labor sign off at the end of an eight-hour day? It is because longer hours are not "worth while." Why do people devote two-thirds of each day to eating and playing and shopping and sleeping? It is because such activities seem more "worth while" to them than grinding out additional production.

What is worth while is not wholly a subjective question. There must be the blackberries or they cannot be picked. In our complex modern society a man may be willing to work hard for very little and yet be unable to find work. But to say that opportunities enter as a factor in deciding what is worth while is not to deny that, in view of such opportunities as exist, there is a normal level of general production around which cycles swing and toward which production tends to return. And this tendency must persist even when an excessive rate of production is being maintained for a time, whether spurred by emotional appeal or by overissuance of money. For there is nothing extraordinary in supposing that people, in the mass and on the average and in the long run, in view of their opportunities, are going to revert to about what they are willing and able to pay for in terms of their own efforts. In fact the presumption is that they will and a strong burden should rest on him who denies so obvious a proposition to disprove it.

At the risk of being tedious I will examine three further arguments on this subject. One is that human wants, being insatiable, can absorb unlimited production. **(Note 3)** Here is a third reference point to be added to Say's "marketability" and Marshall's "worthwhileness." What is here meant is that, as more and more efficient machines and productive technique enable us to satisfy old wants with less and less effort, more time and energy will be set free for the satisfaction of other wants, previously dormant because not worth the added effort. And these new wants will then proceed to mop up an ever-increasing production. All this is true enough. But if it turns out that, tomorrow, better automation enables people to increase production with no added time and effort, that will be tomorrow's good fortune. As of today, and in view of the state of efficiency today, once they have reached a satisfying general level, they are going to relax and sign off at what seems worth while to them today. If so then there is a general norm today.

A fourth reference point is supplied by Keynes. His thinking seems to turn on what speculators are going to take off the market. He envisions that, when prices are falling, merchants will tend to contact their inventories, speculators to sell their holdings, ordinary folk to defer their purchases in hope of buying cheaper later on. In combination these refusals to buy will constitute a "hoarding" which will leave production with no adequate outlet and thus face us with "overproduction." But this again describes the origins of the swings but does not discredit the existence of the norm around which the swings occur. The fact that a farmer overplants or underplants does not dispute the fact that he will be rewarded the more, the closer he comes to the actual norm. There is still this norm.

A fifth reference point deals with what can be sold at a profit. **(Note 3)** Inasmuch as this boils down quite closely to what is "worth while" it need not be discussed in detail. One thing to remember is that the use of the words "over" and "under" presupposes the existence of some reference point where they are just right and clarity demands that this reference point be as well identified as the emotional factors upon which it depends will permit.

The great convenience of the use of what is "worth while" as our reference point is also in its favor. Inflation then means a rise above this normal level. Disinflation is a fall back down toward it, deflation a still farther stop, and reflation a rise up toward the norm. Disinflation and reflation are thus both corrective in their nature while inflation and deflation represent departures from equilibrium. Without the concept of a "normal" level, equilibrium could lie almost anywhere along the path of the cycle. Thus at the bottom of a depression a low rate of profit would be no indication of distortion so long as it was matched by an equally low rate of interest and the words "adjustment," "in line," "in balance," "in equilibrium" and so on would pinpoint nothing. The question of where, on a gold standard, the production of gold would come into balance with the production of other goods would have no answer.

The importance, then, of this concept of a normal rate of general production lies in the fact that, without it, each economic factor must be made to depend upon some other or others which, in their turn, depend upon still others to that the mind, to borrow one of Keynes' vivid phrases, simply chases its own tail and it becomes impossible to push any line of argument to its logical conclusion. In failing to see this important point, "orthodoxy" has left a wide gap in its own fences and one which, if unorthodoxy is to be satisfactorily dealt with needs badly to be closed. *General* equilibrium cannot be explained apart from acceptance of the idea of a *normal* level of *general* production.

III

The second error of orthodoxy, to which I now pass, is one of omission. To introduce what I have to say on this point I cannot do better than quote from a letter from Montague Norman, as Governor of Bank of England, written June 19, 1935, to the then Governor of the Bank of Canada. This communication was obviously well inside the British family, so to speak, and thus devoid of propaganda, a frank personal and confidential opinion on a matter of great common interest from one top figure in the English banking world to another. Here is the passage:

"In the second place (and apart from 'panic' movements) the continuous drifting of large quantities of gold into the United States is itself evidence that a stabilization agreement, which was limited to currency matters would have a very temporary life. I need not insist that a prerequisite of exchange stability must be a stabilization of international accounts generally; for you know this as well as I do. Such a stabilization must begin by recognizing the United States as a creditor which (at present) refuses *either* to forego payment, *or* to take merchandise in payment, *or* to make new loans. Such a situation is impossible, and so long as it exists, I regard a real stabilization as no less impossible." **(Note 4)**

The logic of this passage is clear. "A prerequisite of exchange stability" is that international accounts be brought into balance. And they cannot be brought into balance so long as we, as the world's leading creditor nation, both refuse to send good money after bad in the shape of new loans, and also refuse to receive payment for our immense wartime sales of goods abroad on credit via a return flow of the goods of our wartime debtors.

No one interested in such subjects need be reminded of the way the traditional gold standard operated to balance unbalanced international accounts. Let us assume that England is typical of the foreign nations owing us dollars. She cannot print those dollars. To borrow them would only put her more in debt. Her own money is not legal tender here nor usable for ordinary payments by our people. Her first step might be to force liquidation of such dollar assets as she could, and use the dollars. When that resource was exhausted she would have left only gold and goods as means with which to buy the necessary dollars. If we shut out the goods by tariffs she would have to ship us gold. And the loss of gold would impose deflation on her with attendant high interest rates, lowered borrowing, investment, employment, wages and prices. The sequence is a familiar one.

On ordinary gold-standard assumptions these lower prices ought then to increase British export sales abroad, help Britain achieve a favorable international balance, enable her to pay the interest on her debts, and eventually, help her recapture her necessary share of monetary gold stocks as a basis for keeping her pound stable. But, following World War I, such a normal sequence was denied her by our tariff increases. At each new depression we raised tariffs. In the slump of 1922 we passed the Fordny-McCumber Tariff Act, and in that of 1930 the Howley-Smoot Tariff Act.

These actions by so powerful a creditor nation had devastating effects abroad. Consider the effect on England of our Tariff Act of 1930. She had been painfully deflating and lowering her wages and price in an effort to sell to us and thus earn the dollars she needed if she was to meet her debts from World War I and keep her money sound and we, by a single Act of Congress, had nullified her efforts and forcer her, if she were to continue to follow gold-standard rules, to do it all over again. And this without any certainty that a second deflation would be more helpful than the first. In fact she did do it over again — surely an extraordinary instance of devotion to honest money—and we, at the onset of the next depression, in 1931, raised tariffs again and again erased her efforts.

The evil effects of these tariffs were not limited merely to pushing our debtors off gold. They caused other major harm. Continuing to take England as our illustration, they caused her severe unemployment, both directly, by denying her a dollar market for her goods, and indirectly, because her dollar shortage drained her of gold reserves and caused her a protracted unemployment deflation. For the 48 years ending in 1907 her unemployment rate had averaged only 4.5%. **(Note 5)** But for the 10 years 1922-1931 the rate averaged 12.6%. **(Note 6)** We can measure the political effects of a sustained unemployment rate of 12.6% by thinking of our own recent political reaction to a rise which has so far been only temporary of 7.7%. **(Note 7)** Not only was British deflation politically dangerous. It caused an irrevocable loss of labor, it discouraged British borrowing for expansion and modernization and thus slowed her rate of progress and hurt her competitive position, and finally it was useless, since the farther down Britain forced prices the more certain were we to raise tariffs. Continued repetitions of orthodox-type deflations thus yielded her no solution. There was no way she could be sure of forcing us to accept payment. Yet she lacked an alternative upon which her people could unite.

It was here that Keynes came in. He saw the continuing evil of British unemployment and that something must be done about it. But very surprisingly he blamed British orthodoxy for the trouble and not U. S. tariffs. With immense ingenuity he proceeded to single out item after item of classical gold-standard deflation and condemn it without mercy — attachment to gold **(Note 8)**, high interest rates **(Note 9)**, private control of investment **(Note 10)**, lowering of wages **(Note 11)**. None of these classical medicines could, in Keynes view, have cured British unemployment. And, if we assume the probability of further U. S. tariff increases then truly none of them could.

If, on the other hand, we assume the existence of a gold standard operating in a fully free market then Keynes can be shown to be wrong. But a monetary market cannot be said to be free when it is subject to unpredictable upsets at any time from creditor tariffs. Hence, when taken against the broad canvas of world conditions as they actually were, Keynes result cannot be lightly tossed aside. Some substitute for a conventional gold standard had to be found for England and made respectable if possible. To choose stable prices as a basis for the pound seemed objectionable since American price stability between 1922 and 1929 had not avoided a severe depression.

What Keynes did select as his criterion for the quantity of British money was the maintenance of stable, high-level, employment. There was to be no more waste of valuable British labor power. Now a monetary policy so based has many attractions. It can rest itself on quite up-to-the-minute statistics. It has strong political appeal. The average percentage rate of unemployment for England had, as I have said, been known over a fairly long period and was to so high as to leave great scope for monetary mismanagement. If the choosing of too low a rate began to produce inflation then the need of putting on the brakes should be easily evident. If, on the other hand, really serious unemployment was the threat then the Government was directed to step in with its great reservoir of credit and money and apply the pulmotor. To those with memories of 1929-1932, a constant mild creeping inflation might seem the lesser of two evils. As to the United States, England could hope for nothing better than inflation here. Keynes therefore, deployed his considerable resources in an attack on anything that interfered with high-level employment; a rigid tie to gold, high rates, low investment, low wages, all were to be ruled out and positive Government action was to replace *laissez faire* in dealing with depressions.

His program has worked surprisingly well in practice. The danger still remains that speculation for the continuance of mild inflation will take hold and so hoist interest rates as to wipe out the profits on which hyper-employment depends. But if the plan lacks permanence there is reason to think that Keynes, himself, may have thought of it as a "necessary expedient," something which would work better if "married" to the "wholesome long-run doctrine," **(Note 12)** rather than as a fully permanent substitute for the forces of supply and demand in the field of money. His *General Theory* is not too clear about this. But he had severely criticized his teacher, Alfred Marshall, for the fault of over-clarity **(Note 13)** and avoided it successfully himself. **(Note 14)**

Conclusion

Where does all this leave us? Orthodox reasoning in this country would seem to have two serious blind spots of its own. It lacks a definition of the norm toward which the pendulum of overall economic activity tends to return. Hence its reasoning is circular, its monetary theory is not well coordinated with its economic theory, its monetary policy lacks sharp logical focus to the point of relying on intuition, and confusion reigns.

Our second blind spot has to do with tariffs. The trouble here is that our country has grown up on a diet of high tariffs and has a difficult time reorienting its thinking to our new position. When we were a debtor nation our tariff increases shut out the foreign goods we could not afford to buy, gave needed aid to our balance of payments, protected our gold reserves and, whatever their other faults, promoted world equilibrium.

Had Britain then as world creditor raised her tariffs against our wheat and our cotton and other exports we would have been left in no doubt as to her unfairness nor as to the injury she was doing to our gold reserve position and to the soundness of the dollar. But she clung at that time to free trade, put no obstacles in the way of her debtors sending her their goods as interest and dividends on her large foreign investment, reinvested much of the proceeds abroad, and operated an international gold standard with immense skill and success.

We are now in her shoes as world creditor but have lacked an American Adam Smith to teach us the virtues of free trade. As a result we, by blocking the path to trade and monetary equilibration, are setting the rest of the world an almost insoluble problem, that of preserving solvency and currency stability in the face of our refusal, as chief world creditor, to accept payment of our debts in goods. At the moment we are meeting this problem by the extraordinary expedient of giving away the money and this program of "aid not trade" has had to be a massive one. Britain and 34 other countries were long ago forced off gold **(Note 15)** and, so long as our tariffs remain stubbornly "in politics," no *bona fide* re-stabilization of these currencies is in sight. We do have a Reciprocal Trade Agreements Program, of course, and it does stimulate world trade but, so far as can be seen, it has been operated along such carefully "reciprocal" lines that it has afforded no real relief to foreign debtors as to their balance of payments accounts and our foreign aid has had to be continued in order to fill the gap left by trade. **(Note 16)** We can cure this world economic disease but as a nation we are only dimly aware that it exists and tend to be impatient with arguments that our high tariffs are still spreading unemployment and currency chaos and communism abroad.

What Keynes did was to invent a way for England to "muddle" along in the difficult situation created by our tariffs. We "lose the woods for the trees" if we attack his unorthodoxy in detail without mentioning the unorthodoxy of our own tariffs, the devastating effects of which were undoubtedly a major factor in sparking his evangelism. So before we take the "mote" from the eye of Keynes it might be a good idea if we took the "beam" from our own eye so as to see the subject clearly. Whether we are fighting "managed money" projects or defending the gold standard we must see clearly that any general upturn to gold will be premature which lacks firm assurance against further creditor tariff increases at each new depression; and also that monetary reasoning is still indefensibly circular and inconclusive when not based on the concept of a normal "pie" of general production from which money then can take its proper slice.

The position may be summarized as follows: Keynes' program would not have been needed had U. S. tariffs not rendered the gold standard internationally unworkable; and Keynes' *General Theory* would have fallen on many more deaf ears had orthodoxy possessed a clear theory of general production, including that of money, of its own.

There is reason to think that orthodox criticism of Keynes, such as that of Hazlitt, as well as orthodox defense of the gold standard, would be strengthened were these the errors in its own thinking to be better understood.

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FOOTNOTES

NOTE 1: Halm, G. N. *Economics of Money and Banking*, Richard D. Irwin, Inc., Homewood, Ill. 1956, Pp. 305-306—"Keynes criticized the loanable-funds theory on the grounds that it was circular reasoning to argue that the national income is influenced by investment, investment by the rate of interest, the rate of interest by the supply of loanable funds, the supply of loanable funds by saving, and saving, in turn, by the national income. If this is circular reasoning, then almost all statements concerning demand, supply, and price are circular since in our price system everything does depend on everything else."

NOTE 2: *The International Gold Problem*, Study Group, The Royal Institute of International Affairs, London, Oxford University Press, 1932. Seventh Meeting, The Hon. R. H. Brand, P. 167, "I think they" (he was talking about bankers) "are more clever than some people think they are, since they appear to have invented a system which they work, to some extent without understanding it, and a system which even the economists find it very difficult to explain to them. So that they work rather like bees making honey: they do something, but they do not always understand what they are doing."

NOTE 3: Sloan, H. S. and Zucher, A. J. *A Dictionary of Economics*, Barnes and Noble, Inc. Third Edition, New York, 1953, P. 237. *"Overproduction.* 1. More than can be sold at any price. 2. More than can be sold at a profitable price. Using the term in the sense of the first definition, it is possible to have overproduction in certain specific commodities but not in all commodities at one time, since for all practical purposes, human wants are without limits. Using the term in the sense of the second definition, it is possible to have overproduction in certain specific commodities as well as general overproduction."

NOTE 4: Clay, Sir Henry, *Lord Norman*, London, Macmillan and Co., Ltd. 1957 Pp. 419-420. See also Cassel, Gustav, *The Downfall of the Gold Standard*, Oxford; The Clarendon Press, 1936, Pp. 218-229. And for a third viewpoint see Kemmerer, E. W. *Gold and the Gold Standard*, McGraw-Hill Book Co. Inc., N. Y. and London, 1944, Pp. 112-122.

I should not imply that U. S. tariffs were the only disturbing element in the international monetary field when Keynes wrote his *General Theory* in 1936. The British return to gold in 1924 has been at too high a level; France had probably revalued the franc at too low a level; the dollar had been devalued in 1933-34 (See Smith and Beasley, *Carter Glass*, N. Y. Longmans, Green and Co. 1939, Pp. 314-356); Britain was lending short and borrowing long; her trade with Germany was badly crippled; still other factors put pressure on the pound at that time. Why then do I single out U. S. tariffs as if they were the only cause of currency chaos? I can offer several answers:

(1) Time has blunted most of the other threats to monetary stability. American tourists travel and purchases are helping cure the dollar shortage in no small way. Sound investments are being made by us abroad in such ways as to create imports, witness Venezuelan oil or Venezuelan or Labrador iron; German industry has revived; the influence of mistaken currency revaluations has spent itself somewhat.

(2) The major present uncertainly as to currency stabilization continues to be our tariffs. Severe tariff increases by us can today, as when Lord Norman wrote, upset world currency stabilization.

(3) Until we, as creditor, limit ourselves by binding agreement as to tariffs, there may be no better program for England to fall back on than that of Keynes.

(4) It is not that tariffs are the only obstacle to stabilization but they are perhaps the only one that other countries are helpless to remove. Hence an appraisal of Keynes' work seems incomplete that ignores the need of some program such as his pending increased certainty as to our tariff intentions.

NOTE 5: Beveridge, Sir W. H. *Employment, a Problem of Industry*, London, Longmans, Green and Co., 1909, Pp. 39 and 132, Table VIII (my computations).

NOTE 6: Beveridge, Sir W. H. *Full Employment in a Free Society*, N. Y., W. W. Norton and Co., 1945, P 47 (my computations).

NOTE 7: *Survey of Current Business*, Washington, D. C., U. S. Department of Commerce, September, 1958, Table on Page S-11. This shows the average monthly percentage unemployment in the United States, January-August, 1958, inclusive as slightly over 7.3 per cent (my computations) with 7.7 high for any month.

NOTE 8: Keynes, J. M. *The General Theory of Employment, Interest and Money*, N. Y., Harcourt, Brace and Co., 1935, Pp. 230-231.

NOTE 9: Keynes, J. M. *Opus Cit.* Pp. 234-235 and 375.

NOTE 10: Keynes, J. M. *Opus Cit.* Pp. 328 and 381.

NOTE 11: Keynes, J. M. *Opus Cit.* Pp. 268-270.

NOTE 12: Keynes, J. M. *The Balance of Payments of the United States*, Economic Journal, Macmillan and Co. Ltd., London, July, 1946, (Posthumous Article) P. 186. "I must not be misunderstood. I do not suppose that the classical medicine will work by itself or that we can depend on it. We need quicker and less painful aids of which exchange variation and overall import control are the most important. But in the long run these expedients will work better and we shall need them less, if the classical medicine is also at work. And if we reject the medicine from our systems altogether, we may just drift from expedient to expedient and never really get fit again. The great virtue of the Bretton Woods and Washington proposals taken in conjunction is that they marry the use of the necessary expedients to the wholesome long-run doctrine. It is for this reason that, speaking in the House of Lords, I claimed that 'Here is an attempt to use what we have learned from modern experience and modern analysis, not to defeat, but to implement the wisdom of Adam Smith.'"

NOTE 13: *Memorials to Alfred Marshall*, Edited by Pigou, A. C. Macmillan and Co. Ltd., London, 1925, Part I, *In Memoriam*, Alfred Marshall, 1842-1924, By Keynes, J. M. Pp. 46-48. "The way in which Marshall's *Principles of Economics* is written, is more unusual than the casual reader will notice. It is elaborately unsensational and underemphatic. It flows in a steady lucid stream, with few passages which stop or perplex the intelligent reader even though he know but little of economics. Claims to novelty or to originality on the part of the author himself are altogether absent. . . . The book reached the general public. It increased the public esteem of economics. The minimum of controversy was provoked. . . . The method has, on the other hand, serious disadvantages. The lack of emphasis and of strong light, and shade, the sedulous rubbing away of rough edges and salients and projections, until what is most novel can appear as trite, allows the reader to pass too easily through. Like a duck leaving water, he can escape from this douche of ideas with scarcely a wetting. The difficulties are concealed; the most ticklish problems are solved in footnotes; a pregnant and original judgment is dressed up as a platitude. The author furnishes his ideas with no labels of salesmanship and few hooks for them to hang by in the wardrobe of the mind. A student can read the *Principles*, be fascinated by its pervading charm, think he comprehends it, and yet, a week later, know but little about it. How often has it not happened even to those who have been brought up on the *Principles*, lighting upon what seems a new problem or a new solution, to go back to it and to find, after all, that the problem and a better solution have always been there yet quite escaping notice."

NOTE 14: Keynes, J. M. *Opus Cit.* (The General Theory) Pp. 298-299. He here discusses the effect of a change in the quantity of money on the quantity of "effective demand" and lists between 18 and 20 factors, many subject to special definition, which he claims will give "enough simultaneous equations to give us a determinate result" although many of them have no mathematical equivalents.

NOTE 15: *The International Gold Standard Reinterpreted*, 1914-1934, National Bureau of Economic Research, Inc., N. Y., 1940, Vol. II, P. 1075, "From April 1929 to April 1933, thirty-five countries left the gold standard."

NOTE 16: Sayre, Francis B. *The Way Forward*, N. Y., The Macmillan Co. 1939, P. 163. See also Pp. 160 and 161. "The objective of the trade agreement program is to promote recovery and economic prosperity by speeding up the wheels of business through increased trade—both exports and imports. The program is not designed to force exports beyond imports, for we cannot hope to sell unless we are willing to buy. Conversely there is nothing in the program which should cause our imports to increase beyond our exports."

Survey of Current Business, Annual Review Number, February, 1958, United States Department of Commerce, Washington, D. C., also shows, Table 22, P. 26 that U. S. merchandise exports for the year 1957, of $19.3 billion. exceeded imports for the same year of $13.7 billion by $5.6 billion with the deficiency made up by "government grants and capital (net) of $2.8 bilion and United States private capital (net) of $3 billion. If the objective of the reciprocal trade agreements program was to enable the rest of the world to balance accounts with us independently and without gift aid from us then the program was still a failure in 1957.

To Probe New York City's Economic Future

Economists in the New York area will conduct an inquiry into the "Problems of the New York Metropolitan Economy" this Friday evening, Dec. 12, at the Remington Rand Auditorium. Four experts in their respective fields will analyze prospects regarding population change, fiscal solvency, industry and commerce transition, and local resident and commuter facilities.

The proceedings will be jointly sponsored by the Metropolitan Economic Association of New York and the New York Metropolitan Committee on Planning. The topics to be explored by the respective authorities on each subject are as follows:

"Public Finance and Planning"

Henry Fagin, Executive Director, Regional Plan Association.

"Industrial and Commercial Growth"

Dr. Raymond Vernon, Director, New York Metropolitan Regional Study.

"The Housing Situation"

Dr. Louis Winnick, Director, Division of Population and Economic Analysis, Dept. of City Planning, N. Y. C.

"Transportation Problems of the Commuter and Local Resident"

Dr. Charles E. Stonier, Associate Professor of Economics, Hofstra College.

This second of four conferences scheduled for the Metropolitan Economic Association for 1957-58 should have particular interest for both business and academic economists. The sub-topics will deal with New York City's future as a money and capital market, trade and commerce center, industrial goliath, and a huge urban residential area.

Mr. Henry Fagin will provide an insight regarding the City's ability to remain sound credit-wise. The ability of the City to expand its housing inventory in the face of an almost static population will be dealt with by Dr. Louis Winnick. He will, among other things, also explain why the middle-income families in New York have not disappeared but have continued to maintain their relative income position as in the rest of the state.

Director of a forthcoming 11-volume study of the New York Metropolitan region, Dr. Raymond Vernon will offer his views on the industrial and commercial outlook for the city.

Dr. Charles E. Stonier will analyze proposals and inter-state efforts to solve the growing transportation muddle, and the outlook for financing methods and other schemes.

Biggest Management Job Ahead

By L. R. BOULWARE*
Vice-President, General Electric Company

General Electric's labor relations expert believes businessmen should spend more time in political work so as to fulfill their opportunities and obligations as citizens as well as representatives of business. Mr. Boulware pictures the basic political problem to be met is the "preposterously false expectation" people have as to what government can give the individual at little or no expense to him, and as to what business can deliver on a something-for-nothing basis. The official delineates the political from the non-political work that businessmen can perform, and spells out the activities that should be considered in pursuit of a needed and thoroughly proper part in politics.

The biggest management job ahead—as in the past—is to succeed in pleasing people. That we businessmen are not so succeeding, is evident from what we see taking place all around us.


L. R. Boulware

Our greatest failure has come from our neglecting to do what is necessary to meet the political requirements for pleasing people.

Part of our failure is due to our not satisfactorily explaining how what we are doing is good for the many. Part may be due to our not yet having fully exhausted the possibilities of gearing intentions, practices and results as intimately as we can and should to the other fellow's viewpoint.

Time in which to reverse our failure is very short. We may have only the next six weeks — between now and the opening of the new Congress — in which to make a very substantial start.

We shall undoubtedly find this new Congress is made up, by and large, of good citizens eagerly wanting to do what's good for the country. They are going to be under greater pressures, than for 20 years, to do some things that are not in the public interest. They will be vastly relieved—and the country will be served—if we can bring them convincing evidence it has become "good politics" back home for them **not** to do these wrong things demanded.

Where to Begin

The way to begin is to acquire and then spread a basic understanding of business itself.

All that business does **directly** is with **people.** Business deals with **things** only through people—and then only with things people **want to do** or with things people **want done** and will voluntarily pay others to do for them.

These people serve one another in five contributor-claimant rôles —as owners, customers, suppliers, employees, and citizens. I like to think of a business as a highly creative **clearinghouse** where these contributor-claimants voluntarily come together and, with the aid of good ideas and specialized facilities, do **more for each other** than they could or would if separately utilizing just their own individual resources.

I believe business has basically just one kind of problem with just one kind of human being. Regardless of which one or more **roles** he is in at the time, each human being **as a claimant** wants fundamentally three things in return for the **contribution** he is willing to make in the two-way, **something-for-something** process by which free people in free markets work their wonders for themselves. These three are:

(1) **Satisfaction of basic material needs and wants.** Business has done pretty well here in the 35 years since the completion of the shift from the "me" to the "you" attitude in product planning.

But this is not enough by itself.

(2) **Extra human satisfaction** of a **non**-material nature—as in dignity, participation, recognition and warmly rewarding personal association.

Business has been doing much better here over the past 20 years.

But the addition of even the best of this is still not enough to complete the job of pleasing people.

(3) **Political satisfaction**—or assurance that neither he nor anyone or more of the other contributor-claimants is getting more or less material or human satisfaction returns than is fairly coming to him on a something-for-something basis — i.e., no "robbing Peter to pay Paul."

Business has been all too total a failure here. And this largely robs business of any fruits of its good efforts in numbers (1) and (2).

This third underlying problem of **business** is the same basic, down-to-earth **political** problem we find here and around the world. It is that even most college graduates—as well as people in the main—have a preposterously false expectation about what government can "give" the individual citizen at little or no expense to him. It raises its head in every relationship in business—simply because people have been allowed to entertain just as false expectations about what **business** can deliver on a something-for-nothing basis as they do about what **government** can deliver on that basis.

Politicians unashamedly make shockingly misleading statements and promises that only keep adding to people's already dangerously false expectations of something-for-nothing from government and business.

There is no need at this late date of our acting like we do not know that the currently most successful political operatives are those who are the most active and effective in financing and manning the promotion of ideologies which are contrary to something-for-something economics and which favor concentration of power in central government... ideologies that, to the degree embraced, have caused and will cause inflation, damage to progress, and withering of freedom. And these folks are now the real professionals in politics. The something-for-something believers are still the amateurs.

Politicians are of course everywhere **unable to make good** on these false expectations they have initiated or expanded or just let continue.

In **totalitarian** countries, since the government has absolute **internal** control, the politicians have to claim an **external** enemy is standing in the way of the progress unrealistically promised the people. Here politicians too generally claim **successful business** is the culprit standing in the way. We are now likely to see a whole lot more of this.

We, of course, cannot expect—and I, for one, don't want—public servants to change their course before a majority of their constituency wants them to. When the voters want one thing done—and when the people they elect can do something else **and get away with it**—our freedom and the rest of our great American dream is all over.

But we apparently need not worry. While there are now some very notable exceptions, politicians in general do not take anything approaching an "expendability vow." Success in politics is usually measured by success in getting elected. Most politicians can usually adjust their coloring faster than a chameleon. Whatever we think of some of them, they can all count. Unlike one of your staff meetings, a dumb vote counts in politics just as much as a smart vote; if there are more dumb than smart, "dumb has it." Hard as that is to take sometimes, I'm for it as a guarantee of having our freedom last at least a little longer.

So where we businessmen have something new or different we think public servants should do for our and the common good, we should not and usually will not get it done until a politically safe majority of the voters involved have come to think it is for their individual and the common good.

Fortunately, the things that need to be done to cure the external political vulnerability are exactly the same relationship developments and corrections in which we businessmen **need to invest anyhow** in order to have the better understanding and **business climate** required for the internal cooperation of all concerned in achieving profit, growth, security, the fastest technological advance, the most rapidly rising contribution by business to a higher level of living, and the greatest further social and spiritual usefulness of business to the whole public.

Two Kinds of Political Work

There are two kinds of political work we businessmen must do to live up to our opportunities and obligations as businessmen and citizens. One is the **party** work—which we can do only on our own time and after-tax-money as individual citizens in the party of our own free choice. The other is **non-partisan** political work of an educational nature—which we can do legally and morally on company time and money.

Even good party work is second in importance to non-partisan work. Effective non-partisan political work has to have come first; otherwise the voters will almost always have a choice only between bad platforms and between bad candidates put forward by both parties; and, in fact, the election will have been lost, so far as the public interest is concerned, long before even the selection of nominees much less the holding of the nominating convention and the subsequent November voting.

Non-Partisan Political Work

Good non-partisan political work aims at so educating the public that both parties will be good parties, both platforms and sets of candidates will be good, **all competition will be at a higher level of what's soundly in the public interest,** and thus the public being the victor whichever party or candidate wins.

Party labels, as such, are losing their significance and the two-party system is thereby greatly endangered. Good and bad men—not only as representatives of both parties but also as prospective nominees within a given party—too generally now run on about the same platforms and act about the same later in office. That's because they are both thoretically trying to please their particular electorate in accordance with its present state of knowledge, or ignorance, or rationalized cupidity. The happy exceptions to this situation do not sufficiently relieve the problem.

Actually, too many public servants in both parties seem to me to be carrying the current fashion of "me-too-ism" to the extreme point of instantly copying each other's sloppy sentimentalism and economic baby talk while disregarding what most voters now think or what they would quickly understand and like if given a chance. This happens to us in business when we blindly copy our competitors instead of doing something newly constructive which our own research with our customers has told us will please them. Our two party system can't stand too much of this.

Meanwhile, despite the few happy exceptions, there will in general not be better candidates and performers in **one** party until there are better ones in **both** parties as a result of a majority of the constituents in both parties having raised their economic understanding, their moral determination and their political sophistication to the point where they cannot be fooled or bribed either by outright demagogues or by well-intentioned, high born or professedly high-grade but misguided Democrats and Republicans in high places.

Let's look at six of the things we can do to make it "good politics" with their constituents for more **good** men in **both** parties to run for office, be elected, and act "good" in office:

(1) **Economic Education:** The first sort of thing we businessmen need to learn ourselves—and then help our fellow citizens learn past the point of anybody being able to fool us—is where good jobs and values come from, what can make them continue available, what can make them go away, what are the facts about money and about that disease of money—inflation; what are some sensible economic conclusions to keep before us about how we can and cannot live better, such as:

—that the good Lord arranged for us a very fair and workable something-for-**something** existence—which the socialists haven't been able to alter no matter how many people they pauperized, silenced and enslaved in the process of trying;

—that government can only give what it has first taken away—with it generally being **quite** a surprise to the great majority of misled citizens who finally wake up to the fact that **they** are the ones from whom it was taken away;

—that a government deficit is still a tax and will show up as the tax of **inflation** included in consumer prices;

—that any total compensation cost increase of much over 2% a year is inflationary and will result in higher consumer prices; and that even this much increase can, in some circumstances, rob the consumer;

—that cost-of-living pay escalator arrangements, which are supposed to correct for inflation, are in themselves further inflationary; that, in addition, they very unfairly favor the few, who are on, at the expense of the many who are not on, escalators on their instant equivalent; and that if everybody was on, it would produce galloping inflation from the snowballing;

—that business represents the many and not the few—that business cannot reward any one of its contributor-claimants with more or less than is fairly coming, and still survive;

—that so-called "taxes on business" are almost entirely taxes on consumers, that these taxes either cut progress and jobs or raise prices and the cost-of-living, and that they get into the escalator or its equivalent ratcheting of the wage-price spiral;

—that increased Federal spending—even when matched by increased taxes directly on individuals—can still be inflationary;

—that so-called "transfer payments" soon exhaust the possibilities of "robbing Peter to pay Paul" and wind up largely robbing Paul to pay Peter after much loss, disappointment, and disillusionment for Paul as a result of the shrinkage in his funds during the round trip;

—that free government goes down the drain via the "log rolling" and inflation route when localities or individuals all insist on their representatives bringing home more from government than those localities or individuals paid to government.

—that government credit cannot stand creeping inflation, once enough people come to think they should resort to a flight from money because they have ceased to believe inflation is going to be corrected;

—that price and other controls cannot cure inflation without choking the business and economic system to death, and that the only way not to have inflation is not to let it get into the system in the first place.

It is quite likely that, as soon as the $12 billion Federal deficit and the effect of the recent electrical, auto and steel wage increases begin to show up in inflated prices—maybe even as soon as the next Congress meets—a price control law will be very seriously proposed as a presumed remedy for this inflation. Between now and then a safe majority of the whole public needs urgently to learn that inflation, once it gets into the system, shows up as a tax and that we pay this tax about as we go—i.e., about as the inflation is put into the system—and pay it in the reduction in jobs or in the reduced value of savings and of income, or both.

I believe that once individual citizens see what government is actually costing them individually —and that the things they are getting from government are not being paid by business or by others way off somewhere else—people will want less government and, what they do want, they will insist on having as close home as possible. That is, they will want everything possible done by local government instead of state government, and then everything possible of the remainder by state government instead of the Federal Government.

I am, of course, for people having government do whatever they want it to do at the price they are willing to pay. But our system will continue to be in imminent danger if the great majority of the people go on not knowing how much government costs, being misled about what it costs each citizen, not knowing through what channels each citizen is paying the bill, and not knowing what are the other collateral consequences of money spent through government.

(2) **Morals:** The second non-partisan grass roots job required is for businessmen to do the major job of helping make it "good politics" for politicians to advocate and follow courses dictated by "good" morals.

Our freedom and well-being is a moral issue just as much as it

*An address by Mr. Boulware before the American Petroleum Institute's 38th annual meeting, Chicago, Ill.

is a problem in economics. We cannot be free citizens making free choices in free markets, and we cannot otherwise go around as free people doing so largely as we please, unless we not only know what is the right thing to do economically and politically but are also willing to do that right thing voluntarily not only when no policeman is standing over us but also even when no one is looking.

We businessmen, with our free system of incentives and competition, have an ideological competitor. It is the collectivist system, which misrepresents the facts as to what it is and what it can do. We cannot solve the political problem of business by joining up with our competitor, and acting in public like we believe in and approve of what he is saying in his misrepresentations of us and our system. We have to compete—and compete not just privately but publicly—to achieve an understanding of the truth and soundness of our system . . . and to have such understanding prevail over the misunderstanding and misrepresentation of the collectivist system which has failed and is failing people all over the world, as it always must. Both the diligence and the courage needed in acting right ourselves — and then in speaking up to help others act right—is a moral requirement on us manager-citizens—no matter who has to be contradicted in the process.

(3) **Political Sophistication:** As already indicated, politics is too generally practiced, with success, as the art of appearing to serve the many—to protect the always righteous many against the always wicked few—to get back for force from the few what has been stolen from the many. And I keep feeling that too many of us businessmen have ourselves belonged to the "Little Bo Peep" school of political sophistication. There are happy exceptions to both the foregoing, but they are too few to substantially relieve our problem.

So the third non-partisan grass roots job for us businessmen is to become ourselves — and help the rest of the voters become—politically sophisticated to the point where we are proofed not only against the false ideas and intended misrepresentations of the wily demagogue but also — and more importantly — against the equally false, and even more damaging, fallacies put forward by well-meaning but misguided politicians, professors, clergymen, writers of influence and even too many businessmen.

For instance, we businessmen must learn and teach that politicians in both the Democratic and Republican parties are predominantly for inflation—and we must learn and teach why this is so—regardless of what they say and regardless of whether some of them even realize what they are for. For instance, a very able, dedicated and deeply concerned U. S. Senator recently wrote me:

"I would venture to say that out of 96 Senators, there are not 20 who could explain . . . . or who even know . . . . just how deficit spending actually creates new money, thus enlarging the money supply . . . and debasing the value of the currency."

(4) **Law Enforcement:** The fourth non-partisan grass roots job we businessmen must do is to wake ourselves up — and help wake up the rest of the public—to the inexcusable and damaging double standard of law enforcement that prevails in practically every community. Pickets, car wreckers, dynamiters or other union-connected lawbreakers are too generally immune to applicable laws that are enforced for any such offense committed by any other citizen. There are happy exceptions, of course, but these are relatively few and not our problem. I will not dwell on this, as you and your associates and neighbors may want to spend 20 minutes viewing a law enforcement film that is available from the Cecil deMille Foundation in Hollywood.

(5) **Balanced Press:** One of the big reasons why businessmen and something-for-something economics do not get a better break in politics is because of the preponderance of favorable treatment in the press and on radio and TV for anti-business elements and something-for-something economics. I think this "bad press" for business and for sound economics and politics—which we get with too few exceptions — is entirely or largely the fault of us businessmen. I think we can do something about it by becoming better "news" ourselves and paying more attention to becoming effective in this field. But here again it means we will probably have to go first to the public by other means than the popular media before it becomes "good publishing" and "good broadcasting" for enough people in those businesses to offer the general public a more balanced economic and political diet. But this is a subject in itself that involves meeting better the whole relations problem of business, something I believe needs an enormous amount of high level attention.

(6) **Timely Information on Issues:** We must secure for our own use—and then provide for the use of others while there is still time for action — specific and timely counsel on legislation, administrative rulings and other developing issues that directly or indirectly involve business and thus are of interest to all who depend on or are affected by business.

For instance, General Electric has kept a representative in Washington on labor matters alone for the past 11 years. We also have specialists there on taxes, on price and distribution regulations, on atomic energy, etc.

We have state councils on state legislation, administration and law enforcement.

In connection with our **Better Business Climate program** we watch ordinances, law enforcement and government policy at the local level.

Our findings are made available, for what they are worth, to other businessmen and the other citizens of the nation, the state or the community as the need is indicated, and to legislators and administrators — no matter who has to be contradicted or disagreed with. For instance, many top government officials have quite understandably protested the conclusions I have publicly disseminated on various issues. There is no way to avoid controversy if you are going to try to get anything worthwhile done about constructive legislation or about heading off unworthy schemes.

In this connection, the most effective lobbyist of all is the one

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Biggest Management Job Ahead

who can say "the thing I am proposing to you is something good not just for me or my business or any few. It is genuinely good for the many. You can depend on it that this proposal is already favored by many and maybe most of your constituents and that I can and will help see that it is approved by an overwhelming majority before the next election." If he thinks you know what you are talking about and can deliver, he will usually find you and your proposal irresistible.

Incidentally, our immediate problem would not have been materially changed by whichever way the recent election went in most constituencies. Our problem still is to help accomplish quickly now a corrective grass roots education and sophistication job that will result in the election winners getting new and different instructions from their constituents at home about what is now wanted in the light of new and better information and about what will get them reelected next time.

Even the normally more desirable of the candidates were too generally dragged far to the left this time in their effort to have their promises match those of their rivals who were still further to the left. Thus, even where the more desirable candidates won, they too will have to start quickly getting corrective and reassuring instructions from the grass roots or they also will be too likely to "throw the baby out with the bath water."

Party Politics

Now finally, just a word about the second big area of political action for businessmen as well as other citizens. That is the area of party politics.

As already indicated, party politics and the support of individual candidates is a strictly personal matter, cannot be legally or morally done on company time and money, must be done by the individual citizen on his own volition in the particular party of his own personal choice, and can be done only on his own time and after-tax money.

In our General Electric program, we, of course, distinguish sharply between the work that can be done as company representatives and that which can and must be done only as independent individual citizens. While we direct the organization in the nonpartisan work in our own and the public interest, we only try to alert and encourage our associates to give full personal consideration to the desirability of deciding, on their own, to contribute their after-tax money to, and work in, the particular party of their free choice.

Far from trying to encourage identification with and support of any party nationally or locally, we take just the opposite course of sincerely and openly expressing the eager hope that our fellow workers' own free individual choices will result in some aligning themselves normally with one party and some with the other. Such a result is the one we believe will best serve the public interest.

There often comes the time when the individual—having done his best to persuade his party to offer good platforms and good candidates — disapproves of the result. He then faces the unpleasant choice of "going along" in party regularity or of contributing to, working for, and voting for candidates outside his party. If the disapproval is mild and if correction within the party seems possible by the usual means within a tolerable time limit, then it is probably best usually to go along. But if the disapproval is considerable and important—and particularly if the party thinks the individual is trapped with no other place to go—then I, for one, am for taking a walk.

And, in extreme cases of provocation, the "walk" may have to take the individual clear over to contributing money to and voting for an even more distasteful candidate in the other party—this in order to try to help convince the party of one's choice that it cannot expect the support of forbearance of good people unless it not just usually or supposedly **but always actually** stands for what is genuinely good.

However, the main objective sought is for **both** parties to get the greatly needed benefit of more able and dedicated citizens devoting themselves more constantly to lifting the level of honesty and soundness in party promises and party activities.

With it suddenly the fashion now for businessmen to get busy in politics, the hard fact needs particularly to be emphasized over and over again that—for our system of individual freedom to be effective — money for political work must not come directly or indirectly from corporations or unions or farm organizations or trade associations or any other groups. This country already has too many self-appointed spokesmen for organized special-interest groups competing with one another in writing platforms, selecting and handling candidates, controlling campaign funds, and dominating public servants in office. If the party money comes in big chunks from a few organizations or even from a few individuals—or if the party work is long done by platoons of people under the regimentation of the top command of a few special-interest groups—our free system will perish.

Instead, political party work must be decentralized to the **many** citizens as **individuals**. These citizens must be in position to insist that any party platform, candidate, or office holder be guided by the composite of the varying wishes of the individuals in the area represented, and free from the dictation or pressures of any intermediate organization that seeks to subordinate individual interests and opinions to those of the head of the intermediate group.

To be able so to insist, the individual citizen must take his political responsibilities seriously, do all the brainwork and legwork required, and willingly contribute some of his after-tax money to the party of his choice.

Money alone will not do the job. The responsible citizen must also do the mental work and tedious legwork in properly influencing party platforms, in selecting good candidates, in getting them to run, in organizing the individual precincts, in becoming an effective personal salesman and helping others (particularly women) to do so, in persuading individual voters by separate personal contact as well as by the mass method, in getting those voters registered, and in getting such voters out on election day.

Obviously, the businessman can sometimes be especially helpful in organizing, in budgeting, in running comprehensive campaigns or segments of such campaigns. But the aim should not be to start too high without the absolutely required prior apprenticeships at the grass roots. Undertaking to see, persuade and deliver 50 individual voters in your own precinct is the place to start.

A very effective and readily available means of developing competence to do one's political party duty is personal attendance at, and then persuading others to attend, "Practical Politics Workshops" for businessmen. In case these workshops have not yet come to the attention or any of you, I'll be glad to respond to your request for information as to where and how they are available.

The Businessman's Personal Program

Mr. Monro and Mr. Hawkins very flatteringly asked me to suggest a down-to-earth, do-it-yourself program — a sequence of operations — for each of you to consider for yourself. This I humbly but nevertheless eagerly do as follows:

(1) Persuade the head of your company—yourself, if you are he —to announce internally and externally that proper and effective political activity is from here on expected as a vital party of the work of every manager at every level. My boss has.

And I feel, for instance, that history is going to deal very harshly with me and many of my contemporaries — and, with great justice — for our going around fancying we were doing our work when we were only doing what I impolitely call "metal cutting and paper shuffling" and didn't even know the other kinds of work we should also be doing . . . just hadn't been alert enough to keep up with the changing and expanding content of our jobs.

(2) Persuade the head of your company to institute a "Better Business Climate" program internally.

Participate in it yourself—with heavy emphasis on your learning and teaching the economics and morals of our freedom and helping forward the greatly needed political sophistication of yourself and your associates at all levels.

Tell all your office visitors about it, as well as those you see in the afterhours — urging that they get busy in their own companies.

(3) When a Better Business Climate program is actively and effectively under way in your own company and you are actively participating, then — and only then—start doing your part to see that a Better Business Climate program is adopted and pursued for your whole local community.

Among the roughly 200 objectives will be such typical ones as equal law enforcement, a better press, sound spending and taxing.

Tell your out-of-town visitors about it, and try to persuade them to help promote such a program in their communities. If you do not yet have information about the programs available, I'll gladly supply it. The same applies to information about the related "Practical Political Workshops" procedures.

(4) Follow the current issues at the Federal level—and help the majority of your business associates, neighbors and other contacts follow them—to the end of being able to convince your Washington representatives that it is "good politics" back home to take a sound, something-for-something stand on such issues, for instance, as:

Deficit Spending and other Inflationary Acts.
Taxes.
Labor Law.
Subsidies to Housing, Education, Inefficient Communities, etc.
Log-Rolling Deceit and Waste.
Concentration of Taxing, Spending and Other Activities in the Federal Government.
Restrictions on the Ability of Business to be Useful.

(5) Get busy — with personal time and personal after-tax money—in the political party of your choice, whether that's the party you most like or the party you think most needs your kind of cooperation.

Take on the job of visiting and converting 50 families to a sound way of thinking and to an immunity to demagogues quoting sound doctrine as applying to their spurious purposes.

Tell all your contacts, in and out of business, what you are doing. And concentrate on trying to get 10 other responsible citizens newly committed to equip themselves to do—and then to do—what you are doing.

A Job We Can Do

Nobody else is going to do this job for us and the country while we, with a mistaken sense of selfishness or of what's most to be feared, go on in the familiar and non-controversial pursuits of just "metal cutting and paper shuffling."

This is a job of do-it-**yourself**, practice-**before**-you-preach. This job cannot wait till the next election capaign; it must be done now.

It's a job we, as responsible citizens, **can** do for our own and the common good.

Naturally, the better known or more conspicuously vulnerable your company and you are as leaders in the community — and the sounder, more forthright, and more effective is the course of your new or heightened political activity—the more than the something-for-nothing enemies of business will ferociously accuse you of misrepresentation, malfeasance and other assorted antisocial sins of vast enormity. But that will be simply marvelous! It will be certain evidence you are getting through and doing good.

We businessmen are in a fight we didn't pick. It's a fight between sound something-for-something and ridiculously false something-for-nothing. We can't win this fight in our own and the public interest without fighting. Our opportunities and corresponding obligations are simply so compelling that we each must, if need be, take the "expendability vow" that is the final fortification of the spirit for the brave and dedicated man when danger looms.

I sincerely believe we businessmen can solve any problem and overcome any obstacles we think important enough to warrant our best. We need to go from being amateurs to quickly becoming pros in politics. We just should not any longer be stopped or slowed in performing **now in politics** the same high order of public service which has been so characteristic of our other outstanding contributions to the well-being of the public.

CORRECTION

In the Dec. 4 issue of the "Chronicle" it was reported that J. Robert Hall had become associated with Wm. E. Pollock & Co., Inc., in Beverly Hills. The "Chronicle" regrets the lack of timeliness of the notice, as we are informed that Mr. Hall has been with the firm for the past six years.

Form International Inv.

WASHINGTON, D. C.—International Investments, Inc. has been formed with offices at 1031 Thirtieth Street, N. W., to engage in a securities business. Officers are John K. Gibbs, President, and Francis G. McKinney, Secretary-Treasurer.

Hill Richards Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Stanley L. Lindstedt has become affiliated with Hill Richards & Co., 621 South Spring Street, members of the Pacific Coast Stock Exchange.

$28.5 Million Issue of Toronto Debentures Offered to Investors

Harriman Ripley & Co., Incorporated, and The Dominion Securities Corporation are joint managers of an underwriting syndicate which is offering an issue of $28,559,000 debentures of The Municipality of Metropolitan Toronto (Province of Ontario, Canada). The offering consists of $5,852,000 of Instalment Debentures, maturing Dec. 15, 1959 through 1977, priced to yield from 3.50% to 4.75%, according to maturity; and $22,707,000 of 4¾% Sinking Fund Debentures, of which $21,383,000 mature Dec. 15, 1978 and yield 4.75%; $1,217,000 mature Dec. 15, 1983 and yield 4.80% and $107,000 mature Dec. 15, 1988 and yield 4.80%.

Principal of and interest on the debentures are payable in United States currency.

Net proceeds from the sale of the debentures will be applied by the Municipality of Metropolitan Toronto in varying amounts toward financing costs of schools, roads and sewers, waterworks, parks and recreation facilities, hydro-electric systems, local improvements, parking authorities, various buildings and site, housing and fire halls and equipment.

The sinking fund debentures will be callable on and after Dec. 15, 1973, at an initial redemption price of 103% and at declining premiums thereafter, plus accrued interest in each case. The sinking fund is designed to provide funds to repay the sinking fund debentures in full at maturity. The instalment debentures are non-callable.

The Municipality of Metropolitan Toronto was incorporated under Ontario statutes enacted in 1953 which provided for the federation of 13 municipalities in the Toronto Metropolitan area for certain financial and other purposes. The City of Toronto is the focal point of the area which covers approximately 240 square miles, and has a population of about 1,429,000.

In addition to Harriman Ripley & Co., Incorporated, and The Dominion Securities Corporation, the following firms are participating in the offering:

The First Boston Corp.; Smith, Barney & Co.; Wood, Gundy & Co., Inc.; A. E. Ames & Co. Inc.; McLeod, Young, Weir, Inc.; Blyth & Co., Inc.; Lehman Brothers; Salomon Bros. & Hutzler; White, Weld & Co.

Bell, Gouinlock & Company Inc.; Mills, Spence & Co., Inc.; Nesbitt, Thomson and Company, Inc.; Burns Bros. & Denton, Inc.; Greenshields & Co. (N. Y.) Inc.; Harris & Partners Inc.; W. C. Pitfield & Co., Inc.; Dawson, Hannaford, Inc.; Equisec Canada Inc.; Midland Canadian Corporation.

With Holton, Hull

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Marion H. Warner is now with Holton, Hull & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange.

Ervin Stein Adds

(Special to The Financial Chronicle)

SACRAMENTO, Calif.—Harold L. Brister is now connected with Ervin E. Stein Investment Company, 1414 Broadway.

J. August Barnard

J. Augustus Barnard, partner in Dominick & Dominick, New York City, passed away Dec. 3 at the age of 87.

Harry A. Tracy

Harry A. Tracy, associated with Thomson & McKinnon, passed away suddenly Nov. 29 at the age of 65.

Sterling's Prospects in Early 1959

By PAUL EINZIG

Whether sterling will increase its seasonal improvement during the early months of 1959—in view of its singularly successful strength in the face of traditional autumn decline—is examined by Dr. Einzig. His diagnosis leads him to be guardedly optimistic about the short run and pessimistic about the long run. A Conservative re-election victory, the British commentator hopes, may enable the Government to take a more realistic tack instead of tacitly permitting domestic wage increases and other inflationary-encouraging steps.

LONDON, Eng. — In ordinary circumstances December witnesses a turn in the tendency of sterling. The autumn pressure due to heavy payments for imports and to psychological causes usually comes to an end with the arrival of the winter, and by the turn of the year a firmer tendency sets in. This is not happening in existing circumstances; throughout the autumn of 1958 sterling remained singularly free from seasonal pressure. Month after month the gold and dollar reserve increased, and all the time sterling remained at a slight premium. This was partly because of the favorable balance of payments during the greater part of 1958, and partly because of the replenishment of foreign sterling holdings depleted during the flight of 1958.

Dr. Paul Einzig

It remains to be seen whether sterling will experience its seasonal improvement during the early months of next year. It is arguable that, since there was no seasonal weakness, there is no need to anticipate seasonal firmness. This logic is, however, somewhat dubious. The fact that sterling was not weak during the autumn need not necessarily mean that it will not be strong during the winter and spring. Indeed, conceivably the seasonal factor may operate normally.

Upsetting Factors

There are, however, conflicting cross-currents which are liable to modify its operation one way or another. First of all, there are the political factors. Sterling is liable to come under the influence of the internal and international political situation and outlook. From an internal point of view election prospects are likely to play an important part. It is now considered highly probable that the General Election will take place during the spring of 1959. Its outcome is by no means a foregone conclusion. Earlier this year a Socialist victory was generally considered certain. More recently the betting was heavily in favor of a Tory victory. The result of recent by-elections was quite inconclusive. With the approach of the election day the ups and downs of prospects are bound to influence sterling.

It is the declared policy of the Labour Party to reintroduce stringent exchange restrictions. Their anticipation would in itself be sufficient to induce many holders to sell out. Moreover, the anticipation of a Labour Government adopting various inflationary and anti-capitalistic policies will tend to reinforce pessimism about the prospects of sterling in case of a labor victory. Since the outcome of the election is bound to remain uncertain many people may be inclined to play for safety and sell out.

The international political outlook is also liable to affect sterling. The Berlin crisis is liable to become acute with the approach of Khruschev's six month time limit. Should there be some sort of agreement on Berlin it would be a bull point for sterling and other European currencies. In the absence of some such agreement fears of an acute crisis would tend to affect sterling during the early spring.

From an economic point of view, too, it is conceivable that the seasonal strength of sterling will be counteracted by a decline of exports, especially to raw material producing countries. Unless there is a revival of world demand for raw materials this would be inevitable. On the other hand, the prospects of the reinforcement of International Monetary Fund facilities may go some way towards safeguarding sterling against speculative excesses. The additional resources will not become available for some time but their anticipation will in itself go some way towards producing a favorable psychological influence.

Unsatisfactory Basic Conditions

Notwithstanding the reinforcement of the gold reserve during 1958—which process is bound to become interrupted in December as a result of the payments on the American and Canadian Loans —the basic position is likely to remain unsatisfactory. Resistance to wage inflation is becoming weaker and weaker. The argument that amidst conditions of business recession an increase of wages is a good thing because it stimulates consumer demand, is now voiced from many quarters.

This attitude is not endorsed by the Government, at any rate not in public statements. Quite recently the Chancellor of the Exchequer, Mr. Amory, declared that unless the workers moderate their wage demands it would be necessary to take measures leading to a restriction of the output. There is reason to believe, however, that in reality the Government welcomes any development which tends to offset the moderate rising trend in unemployment. The decline in consumer purchasing power through the increase of unemployment, the reduction of overtime and the increase of short hours, is, indeed, likely to be offset, and possibly more than offset, by the latest round of wage increases. All the more so as this time the increase of wages is not accompanied by a rise in prices, so that additional wages represent genuine additions to consumer purchasing power.

Overlooked Wage Increases

In more than one instance wage increases were distinctly detrimental to export prospects. This is particularly the case of the ship building industry. The granting of a substantial unconditional increase to coal miners constituted the hight of absurdity, seeing that the unsaleable coal accumulating at the pitheads is reaching record levels. The nationalized coal industry has come to be regarded as a social service run for the benefit of its employees rather than a Government-owned business enterprise. The aggressive demand for higher wages coincides with equally aggressive demand for feather-bedding practices instead of redundancy dismissals. The British Transport Commission has just been authorized to increase its borrowing for the purpose of meeting the current deficit of the railways. So it seems that the idea of meeting wage increases out of economies has been abandoned, for the time being at any rate.

The combined effect of these and other symptoms is a revival of pessimism concerning sterling prospects in the long run. Possibly a Conservative victory at the general election may enable the Government to take a more realistic line. Pending the outcome of the election, however, guarded optimism about the short view must necessarily be accompanied by pessimism about the long view.

Northwest Airlines Offer Underwritten by First Boston Group

Northwest Airlines, Inc. is offering the holders of its common stock of record Dec. 8, 1958, rights to subscribe at $25 per share for 457,873 shares of cumulative preferred stock, 5¼% convertible series, par $25, on the basis of one share of preferred for each three shares of common held. The stock is convertible on and after April 1, 1959 into common stock at the conversion price of $26 per share, subject to adjustment in certain events.

The First Boston Corp. will manage a group which will purchase any unsubscribed shares at the termination of the offer on Dec. 22, 1958.

In order to finance the company's acquisition of Lockheed Electra turboprop and Douglas DC-8 turbojet aircraft, the company negotiated agreements with institutional investors providing for a 20-year loan of $40,000,000 and with banks providing for a seven-year loan of $32,500,000. The sale of the new preferred will complete the financing of the company's program.

New funds to be received by the company will be applied first to liquidate borrowings under the present credit agreement with banks now amounting to $35,000,000. 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, amounting to an estimated net total capital expenditure of approximately $67,500,000, and for other general corporate purposes. The company has redeemed all outstanding shares of 4.60% cumulative preference stock.

Northwest Airlines operates both a domestic and an international air route system. At present, the company's system, excluding its new Florida route, covers approximately 17,445 route miles and serves directly 26 cities in 11 states and the District of Columbia, two cities in Canada, the two principal cities in Alaska and Hawaii, and five major cities in the Orient. The company ranks third in the number of certificated route miles flown by United States airlines.

For the nine months ended Sept. 30, 1958, operating revenues of the company amounted to $73,761,000 and net income from operations to $2,761,000, compared with $62,504,000 and $1,616,000 for the similar period of 1957.

Named Director

Robert H. Goodkind, partner in the firm of Goodkind, Neufeld Company, members of the New York Stock Exchange, and associate members of the American Stock Exchange, has been elected a director of Minneapolis-Moline Company, it was announced by J. Russell Duncan, President of the farm equipment manufacturing company.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

John J. McCloy, Chairman of the **Chase Manhattan Bank, New York**, announced the election of Charles H. Percy as a Director.

* * *

A plan to change the name of **City Bank Farmers Trust Company, New York, to First National City Trust Company** was made public on Dec. 5 with the mailing of a notice to shareholders of **First National City Bank** recommending favorable action on the proposal at the annual meeting next Jan. 13.

To make possible the change of name, an amendment of the trust agreement relating to the stock of City Bank Farmers Trust Company, making provision for conversion of the company from a state bank to a national bank, will be presented at the meeting. No changes are contemplated either in the nature or the character of the services provided by the trust company.

City Bank Farmers Trust Company is the trust affiliate of **The First National City Bank of New York**. The change in name is proposed by the management and directors of both institutions to more readily identify the trust company with the bank.

The origin and charter of the trust affiliate of The First National City Bank of New York date back to 1822. In 1929 **The Farmer's Loan and Trust Company, New York**, as it was then known, became affiliated with The National City Bank of New York under the name of City Bank Farmers Trust Company.

* * *

The Irving Trust Company, New York, announced that it is entering the Federal Funds market as a money broker. It is the first bank to enter the field.

Federal Funds are reserves lent by one member bank of the Federal Reserve System to another, usually for a single day, permitting a bank with a temporary surplus to meet the needs of another with a deficiency. Settlement is made among the checking account balances of members held in Federal Reserve Banks.

Irving Trust said that the Federal Funds would be handled as a separate department and would not be connected with its own money position.

* * *

Chemical Corn Exchange Bank, New York, whose office at 40-23 Main Street has served Flushing since 1906, moved into a new, modern building at 136-37 Roosevelt Avenue, Flushing, on Dec. 8.

Chemical Corn Exchange Bank, founded in 1824, is one of the world's leading financial institutions. With resources in excess of $3,000,000,000, Chemical has 93 offices in all five boroughs of New York City, including 10 in Queens. It has correspondent banks throughout America, and its foreign correspondents maintain more than 50,000 offices abroad. Chemical's complete world-wide facilities will be available at the new Flushing Office.

The election of William A. Lyon and Frank M. Porter as advisory directors of **Chemical Corn Exchange Bank, New York**, was announced by Chairman Harold H. Helm on Dec. 8. Mr. Lyon, who is President of **Dry Dock Savings Bank, New York**, will serve as a member of Chemical's Upper Midtown Advisory Board. Mr. Porter becomes a member of Chemical's Rockefeller Center Advisory Board.

* * *

Adrian M. Massie, Chairman of the Board and Hulbert S. Aldrich, President of **The New York Trust Company, New York**, have announced the following promotions which were approved at a recent meeting of the Board of Directors:

Richard K. Le Blond, II, formerly Assistant Vice-President, has been promoted to Vice-President and Samuel S. Marshall, III, formerly Assistant Treasurer has been promoted to Assistant Vice-President. Both men are members of the Banking Division headed by R. L. Ireland, III, and devote their principal time to The New York Trust Company's Commercial and Banking relationships in the Middle West.

E. Marvin Camp, formerly Assistant Vice-President, has been promoted to Vice-President. He is in charge of the bank's office at 10 Rockefeller Plaza.

James C. O'Hara, formerly Assistant Treasurer, has been promoted to Assistant Vice-President at the bank's office at Seventh Avenue and 39th Street.

John Johnson, formerly Assistant Secretary, has been promoted to Assistant Vice-President in the Personal Trust Division.

* * *

The Pennsylvania Exchange Bank, New York, N. Y., filed with the New York State Banking Department on Dec. 2 an application for approval of change of name from **The Pennsylvania Exchange Bank, New York, to The Bank of Gotham**.

* * *

Irving Trust Company, New York announces the appointment of Joseph S. Moss to Senior Vice-President and officer in charge of its Domestic Banking Division.

Mr. Moss, formerly Vice-President and assistant division head, has been associated with the Irving Trust Company since 1930.

* * *

Chester F. Smith has been elected to the board of directors of **Empire Trust Company, New York** it was announced on Dec. 10 by Henry C. Brunie, President of the Bank.

Mr. Smith is a director of the French-American Banking Corp., Elizabeth, N. J., and of the **National State Bank and Union County Savings Bank, Elizabeth, N. J.**

Also announced was the directors recommendation that at the annual stockholders' meeting on Jan. 19, 1959, authorized capital stock of the Bank be increased by stockholders from the present 108,160 shares to 112,500 shares for the purpose of declaring a 4% stock dividend, payable to stockholders in the ratio of one share for each 25 shares then held.

* * *

The New York State Banking Department has granted permission to the **Seaman's Bank for Savings, New York**, to open a branch at 16 Beaver Street, New York.

* * *

Plan of Merger together with Certificate of Compliance of the respective corporations providing for the merger of **The First National Bank of Harrisville, N. Y.** into **State Bank of Edwards and Star Lake, N. Y.**, under the title **United Bank**, has been filed with the New York State Banking Department.

* * *

The common capital stock of **The Emerson National Bank of Warrensburg, Warrensburg, N. Y.** was increased from $100,000 to $200,000 by a stock dividend, effective Nov. 25. (Number of share

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News About Banks & Bankers

outstanding — 2,000 shares, par value $100.)

* * *

Merger certificate was issued by the Office of the Comptroller of the Currency approving and making effective, as of the close of business Nov. 21, the merger of **The First National Bank of Cato, Cato, N. Y.,** with common stock of $68,750, into **Lincoln National Bank and Trust Company of Syracuse, Syracuse, N. Y.,** with common stock of $2,000,000. The merger was effected under the charter and title of Lincoln National Bank and Trust Company of Syracuse.

The Security National Bank of L. I., will open the doors of its 24th Long Island office in Melville, L. I., on Dec. 15, it was announced by Bank President Herman H. Maass. Heading the operations at the Melville office will be Edward C. Johnson, who had been Assistant Cashier at the bank's Amityville office. Previous article appeared in this column on Nov. 20, page 2106.

* * *

Frederick K. Burkhardt, a director and retired Treasurer of the **Half Dime Savings Bank, Orange, N. J.,** died Dec. 5. He was 74 years old.

Mr. Burkhardt had been with the bank for 42 years before retiring as Treasurer in 1942.

* * *

Matthew J. Kelsh, a Vice-President of the **New Jersey Bank and Trust Company in Paterson, N. J.,** and a retired Vice-President of the **National City Bank of New York,** died Dec. 6 at the age of 67.

Mr. Kelsh joined the **old Farmers Loan and Trust Company in New York** in 1928. In 1929 he went to National City as an officer when Farmers Loan and Trust, then the **City Bank Farmers Trust Company,** became a National City affiliate. He was elected a Vice-President in 1951.

Mr. Kelsh retired in 1956 from National City, now the **First National City Bank, New York,** as head of the bank's New York branch division. Since that time he had held the Paterson Bank post.

* * *

The Keansburg National Bank, Keansburg, N. J., changed its title to **Keansburg-Middletown National Bank, Middletown, N. J.,** effective Dec. 1.

* * *

The First National Bank of Jersey City, New Jersey announced on Dec. 9 that its offer to stockholders of 17,000 additional shares of $25 par value capital stock at a price of $55 per share has been 99.3% subscribed. Rights expired Dec. 5.

Of the total offered, 16,881 shares were taken up under the terms of the offer and the remaining 119 shares sold by the Bank to brokers at prices substantially above the offering price, it was announced by Kingsbury S. Nickerson, President of the Bank. Previous article appeared on Nov. 13, page 1990.

* * *

The Hackensack Trust Company, Hackensack, N. J., has added something new to its roster of banking services: a common trust that will enable participants to pool their resources for investment purposes.

Brice A. Eldridge, President of the Bank, in announcing the new service on Dec. 2, said: "Many of our trust customers with modest holdings have found it practical to invest only in a relatively small number of securities at any one time. By participating in the Hackensack Common Trust they will empower the Bank to pool their investable funds and pursue an investment program in their behalf that should provide them not only with more diversified investments but also with bigger and better balanced incomes."

Mr. Eldridge said the Hackensack Trust Company will follow the same pattern used successfully by large New York Banks in managing similar trusts. This will mean that participants in the Hackensack Common Trust will have a choice of two investment funds: a Legal Fund and a Discretionary Fund.

"The Legal Fund is designed primarily for those who may wish to concentrate on investment safety. The Discretionary Fund also may include investments of this type, but this Fund will provide, too, for investing in common stocks and other corporate securities at the discretion of the Bank, and thus will offer greater income potential."

He added that the Hackensack Common Trust also will be available through the Bank's new branch now under construction at Main Street and Johnson Avenue in the Fairmount section of Hackensack.

* * *

Final plans are now under way for the merger of the **First Bank and Trust Company, Madison, New Jersey** with **The Morristown Trust Company, Morristown, New Jersey.**

Stockholders of each institution at special meetings on Dec. 5 approved the merger of the two Banks, to be known as the **Trust Company of Morris County.** The Boards of Directors of both Banks and the Commissioner of Banking and Insurance of the State of New Jersey had previously approved the agreement of merger.

The merger will become effective at the close of business Dec. 19.

Officers will be President, George Munsick; Vice-Presidents, George K. Weller, Edward M. Barnes, Raymond B. Peer, Ralph Peterson; Vice-President and Trust Officer, William E. Abel; Treasurer, Neilson A. Bertholf; Secretary and Assistant Treasurer, Stephen S. Whitney; Assistant Vice-Presidents and Assistant Secretaries, Donald E. Kyle and William W. Brown, Jr.; Assistant Vice-Presidents, Frank L. Applegit, James G. Barradale, Jr. and Francis T. Crehan; Trust Officer, Nancye B. Staub; Trust Officer and Assistant Secretary, John G. Yawger; Assistant Secretaries and Assistant Treasurers, Henry W. Mulholland, Alfred W. Roehrs, Albert A. Muesson, Robert W. Burkhardt, David M. Matthews and Johnston Stewart, Jr.; Assistant Treasurers, Clyde J. Carson, Frank Palazzi and Lucille M. Corbett; Assistant Secretaries, Victor C. Stout and Mary Grace Long; Assistant Trust Officers and Assistant Secretaries, Gordon G. Tuohig and Philip L. Azoy; auditor, C. Vernon Henry and Assistant Auditor, Bernard J. Schnabel.

The merger will result in an institution with assets of over $64,000,000 making it the largest commercial Bank in the county. Previous article appeared in the Oct. 30 issue, page 1786.

* * *

Harold G. Hawthorne, Assistant Vice-President of **Mellon National**

Bank and Trust Company, Pittsburgh, Pa., has been appointed Manager of the bank's Gulf Building Office. This announcement was made by Frank R. Denton, Vice-President of the bank.

Mr. Hawthorne came to Mellon Bank in March 1948, to set up installment loan operations for the bank. Later he was placed in charge of the Installment Loan Headquarters for the entire bank.

* * *

Action to permit the payment of a 2% stock dividend was recommended to the shareholders of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** by the Bank's Board of Directors at their regular monthly meeting held on Dec. 8.

To make the stock dividend possible, the shareholders must authorize an increase in the bank's capital from $62,704,500 to $63,958,600 and an increase in the number of shares outstanding from 2,508,180 to 2,558,344. The par value of the shares would remain at $25. The directors recommended that such action be taken at the shareholders' annual meeting on Feb. 9, 1959. Payment of the stock dividend also is dependent on approval by the Comptroller of the Currency.

* * *

By a stock dividend, **The First National Bank of Clifton Forge, Va.,** increased its common capital stock from $100,000 to $150,000, and from $150,000 to $200,000 by the sale of new stock, effective Nov. 28. (Number of shares outstanding—8,000 shares, par value $25.)

Two officer advancements at **The Bank of Virginia in Richmond** were announced on Dec. 5 by Thomas C. Boushall, President. Robert J. Quarles was promoted to Assistant Vice-President and James D. Harrison, Jr. was elected an Assistant Cashier, by action of the bank's Board of Directors at the regular December meeting in Richmond.

Mr. Quarles, who is with the Cashier's Division, has been with the bank since July 24, 1949.

Joining the bank's Roanoke office as a teller, Mr. Quarles served in numerous departments in that city and was elected Assistant Cashier Feb. 10, 1953. He was transferred to Richmond on Jan. 1, 1958.

Mr. Harrison, a commercial loan interviewer with the Eighth and Main Streets office in Richmond, joined the bank Jan. 1, 1953. Mr. Harrison began his banking career as a management program trainee and has held assignments in audit, loan and credit analysis departments. He has been a commercial loan interviewer since May 20, 1958.

Directors of **The National City Bank of Cleveland, Cleveland, Ohio,** on Dec. 8 took action recommending to shareholders an increase in the bank's capital by distribution of a 10% stock dividend. Announcement of this action was made by Chairman Sidney B. Congdon and President Francis H. Beam. The proposal will be acted upon by shareholders at the annual meeting next Jan. 20.

Under the proposal, the bank's present capital of $17,600,000 would be increased to $19,360,000 through issuance of 110,000 additional shares as a stock dividend in the ratio of one share to each 10 shares held. Total shares then outstanding would be 1,210,000. The new shares would be issued on Feb. 13, 1959 to shareholders of record Jan. 23.

Upon the consummation of these transactions, the legal loan limit of the bank, that is, the amount which the bank may lend to any one borrower, would be increased to $6,000,000.

The proposed dividend represents the second stock dividend to be paid by National City within a four-year period. In 1955 the bank paid a one-share for seven dividend. Furthermore, in this four-year period cash dividends per share have been increased from an annual rate of $2 to an annual rate of $2.40.

* * *

Society for Savings and Society National Bank, Cleveland, Ohio, opened their 12th office Monday, Dec. 8, in a completely new and modern building located in the Lake Shore Shopping Center, Euclid, Ohio.

The opening of this branch is a highlight in Society's long history of serving Greater Clevelanders. In a five year period—Society opened its first branch in 1953 — they have added 11 branches throughout Greater Cleveland to serve their many depositors in the various communities in which they are located.

James Vincent O'Connor, Branch Manager of Society's new Euclid Shore Branch, is an Assistant Treasurer of Society for Savings and Assistant Cashier of Society National Bank. He has been with Society's Main Office for 25 years.

Until recently, Mr. O'Connor was active at Society as a Mortgage Loan Officer. He has previously had wide experience in all departments of Society. He now assumes the duties of Branch Manager at this new Branch.

* * *

By the sale of new stock, the common capital stock of **The Wood County National Bank of Wisconsin Rapids, Wis.,** was increased from $300,000 to $400,000, effective Nov. 26. (Number of shares outstanding—40,000 shares, par value $10.)

* * *

Completion of an extensive building and modernization program was announced on Dec. 3 by the **Merchants & Savings Bank, Ganesville, Wisc.** It was termed the "largest expansion and remodeling effort in the 83-year history of the bank."

John H. Matheson, bank President, in announcing the completion of the three-year project, said that the bank was formally dedicated on Dec. 4.

* * *

First National Bank in Minot, N. D., increased its common capital stock from $300,000 to $500,000 by a stock dividend, effective Nov. 28. (Number of shares outstanding—5,000 shares, par value $100.)

* * *

The Merchants National Bank of Topeka, Kan., increased its common capital stock from $1,500,000 to $2,000,000 by the sale of new stock, effective Nov. 24. (Number of shares outstanding—80,000 shares, par value $25.)

* * *

Stockholders of the **First National Bank in Dallas, Texas,** on Dec. 2 approved a directors' recommendation to increase the bank's capital and surplus by $8,900,000, President Ben H. Wooten announced.

The increase will be effected by the sale at $27 per share of 290,000 new shares of First National common stock of $10 par value each. Stockholders of rec-

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News About Banks & Bankers

ord as of Dec. 2 were offered the new capital stock on the basis of one share of new stock for each eight shares currently owned.

Approval of the increase in the First National's capital and surplus brings the total to $60,000,000, divided $26,000,000 capital and $34,000,000 surplus.

The sale of the new stock will yield $7,830,000, of which $2,900,000 is to be added to capital and the balance of $4,930,000 will be put in surplus. This increases present capital stock of $23,100,000 to $26,000,000 and present surplus of $28,000,000 to $34,000,000.

In addition to funds obtained through the sale of the new stock, $1,070,000 is being transferred from undivided profits into surplus.

Mr. Wooten pointed out that it is contemplated that the current dividend of $1.40 per share per year will continue and, on the basis of the purchase price of the new stock of $27 per share, is an annual yield of 5.18%.

Directors have approved a fourth quarter dividend of 35 cents per share payable Dec. 19 to stockholders of record Dec. 15.

The capital increase approved by stockholders is the First National's seventh since 1950, at which time the bank's capital structure totaled $15,000,000 and when 150,000 shares were issued. In 1952, 200,000 shares were issued and again in 1954 and 1955. In 1957, no stock was sold but a stock dividend of 110,000 shares was declared from earnings.

Correspondingly, the number of stockholders has doubled and of the more than $40,000,000 increase in capital funds, more than $12,000,000 came from earnings after payment of dividends.

Previous article appeared in this column on Oct. 30, page 1786.

* * *

Preliminary negotiations on a possible merger of **American Trust Co., San Francisco, Calif., and Wells Fargo Bank, San Francisco, Calif.**, will continue this week, Ransom Cook, Senior Vice-President of American Trust said.

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Graham F. Towers has been elected a director of the **Royal Bank of Canada**. Mr. Towers retired as Governor of the **Bank of Canada** in 1954. Before elected to that post in 1934, he was Assistant General Manager of the Royal Bank.

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At a meeting of the Board of Directors of **The Bank of Nova Scotia, Toronto, Canada**, held on Dec. 4, F. William Nicks was elected President and Chief Executive Officer.

Mr. Nicks succeeds C. Syndey Frost, who will remain a bank director, but is retiring for health reasons after a 50-year banking career.

The new President announced the election of Robert L. Dales as Executive Vice-President. J. Douglas Gibson has been appointed General Manager and Thomas A. Boyles appointed to the newly-created post of Deputy General Manager.

Mr. Nicks has been General Manager of the Bank of Nova Scotia since 1954. He was elected a director of the bank in January, 1957, and a Vice-President in the fall of that year.

Mr. Frost began his banking career 50 years ago at Yarmouth, N. S. In 1954 he was elected Executive Vice-President, and in June, 1956, President.

Mr. Dales began his banking career in Ontario. After having held the post of Manager in several western and Ontario branches he was, in 1946, appointed supervisor of Eastern branches at Saint John, N. B. At the time of his appointment as an Assistant General Manager in 1951 he was supervisor of Western branches at Winnipeg. He was elected a director and a Vice-President in 1954.

Mr. Gibson joined the bank as an economist and for many years was editor of the bank's Monthly Review. He became a supervisor in 1942. For the past four years he has been the Assistant General Manager supervising Bank of Nova Scotia operations in Western Canada.

Mr. Boyles has had wide and varied banking experience, and held a number of executive posts at the General Office of the Bank of Nova Scotia in Toronto before becoming Manager of the bank's main branch in Ottawa. In 1952 he was appointed Manager of the Toronto main office and in the fall of 1956 was appointed an Assistant General Manager.

* * *

At the extraordinary meeting of **National Overseas and Grindlays Bank Limited** held in London on Nov. 25 it was unanimously agreed that the name of the company would be altered with effect on Jan. 1 to **National and Grindlays Bank Limited.**

Halsey, Stuart Group Offers Southern Bell Tel. & Tel. Debentures

Halsey, Stuart & Co. Inc. yesterday (Dec. 10) headed an underwriting syndicate which offered an issue of $70,000,000 Southern Bell Telephone & Telegraph Co. 35-year 4⅝% debentures, due Dec. 1, 1993, at 101.307% and accrued interest, to yield 4.55%. The group won award of the debentures at competitive sale on Dec. 9 on a bid of 100.3199%.

Substantially all of the net proceeds from the financing will be used by the company to repay advances from its parent organization, American Telephone & Telegraph Co. These advances are made in conformity with an established practice of the company under which it borrows from AT&T Co. as the need arises, for general corporate purposes, including extensions, additions and improvements to its plant. The balance of the proceeds will be applied toward general corporate purposes by the company.

The debentures will be redeemable at optional redemption prices ranging from 106.307% to par, plus accrued interest.

Southern Bell Telephone & Telegraph Co. is engaged in the business of furnishing communication services, mainly local and toll telephone service, in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee. On Sept. 30, 1958, the company had 6,098,307 telephones ing service. Other communication services furnished by the company include teletypewriter exchange service and services and facilities for private line teletypewriter use, for the transmission of radio and television programs and for other purposes.

* * *

For the nine months ended Sept. 30, 1958, the company had total operating revenues of $519,800,924 and net income of $72,469,251.

Stanley Co. Formed

MONTCLAIR, N. J.—Stanley & Company has been formed with offices at 5 Stephen Street to engage in a securities business.

Francis I. du Pont Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—William E. Gormley has been added to the staff of Francis I. du Pont & Co., 317 Montgomery St.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Continental Illinois National Bank and Trust Co., Chicago

The origin of this bank goes back just over one hundred years to the organization in Chicago of Merchants Savings Loan & Trust Company, in 1857, four years prior to the Civil War. This was the first bank chartered in Illinois to act in trust capacities. A long series of mergers in the intervening years resulted in the Illinois Merchants Trust Company in 1924, and the Continental National Bank and Trust Company in 1927. These two large institutions merged in 1929 to establish the present company. Today it is one of the two largest banks in the Middle West, measured by deposits.

The great Chicago fire in 1871 destroyed the buildings of four of Continental Illinois Bank's predecessor companies; but their cash and securities escaped destruction and the banks continued their operations from private residences. It is of interest that the banks paid out deposits on the word of depositors, as their records had been consumed in the fire.

Continental Illinois operates the customary banking facilities of our large metropolitan institutions, conducting commercial banking, trust, foreign, bond, savings and other departments. There are about 3,800 employees; 14,500 shareholders. It is a member of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Chicago Clearing House Association. As branches of banks are not permitted under Illinois law, this bank's operations are conducted at its one large office.

While in company with other large banks in metropolitan areas, Continental Illinois' securities holdings were previously of major importance, the past few years have brought a decided increase in loan volume with a considerably better rate of return. But since the decline in the high grade bond market a decided increase has been reported in the government holdings, about equaling the decline in loans.

Statement of Condition — Sept. 24, 1958

RESOURCES

Cash & due from banks		$641,368,186
United States Government obligations		852,948,744
Other bonds and securities		162,906,679
Loans and discounts		1,009,251,389
Stock in Federal Reserve Bank		6,750,000
Customer liabilities on accept.		8,019,340
Accrued income		10,822,660
Banking House		6,975,000
		$2,699,061,998

LIABILITIES

Deposits		$2,248,240,911
Acceptances		8,028,061
Dividend payable		3,000,000
Reserve, taxes, interest, etc.		22,516,108
Federal Reserve Funds Purchase		50,200,000
Reserve, contingencies		10,000,000
Income collected, not earned		2,040,036
Capital	$100,000,000	
Surplus	125,000,000	
Undivided profit	30,036,882	$255,036,882
		$2,699,061,998

The $100,000,000 capital consists of 3,000,000 shares, each of 33⅓ par value.

A breakdown of the above assets into principal categories follows:

Cash	23.8%
United States Government obligations	31.6
Other securities	6.3
Loans and discounts	37.4
Real estate	0.2
Miscellaneous assets	0.7

Income from securities holdings are expected to show an important increase this year, as at the above statement date investment holdings were about 15% higher than on Dec. 31, last.

Ten-Year Statistical Record — Per Share*

	Book Value	Operating Earnings	Invested Assets	Dividend	Price Range High	Price Range Low
1948	$56.35	$4.10	$559	$2.40	50¾	43¾
1949	58,64	4.13	624	2.40	54	43⅜
1950	61.04	4.42	621	2.40	58½	51
1951	63.72	4.83	726	2.40	58⅞	51½
1952	66.36	5.27	744	2.70	70⅝	58¾
1953	69.31	5.72	691	3.00	70½	60¾
1954	72.35	5.41	702	3.00	75⅜	64
1955	75.47	5.85	693	3.00	83¼	71⅝
1956	78.71	6.90	696	3.45	83¼	76¾
1957	82.63	7.70	689	3.60	82	71⅛

*Adjusted for stock dividends: 25% in 1952; 20% in 1956; 11 1/9% in early 1958.

The stock is selling around 112 in the Over-the-Counter Market. It is now on a $4 annual dividend basis, to yield approximately 3.57%. However, the $4 payment is only 52% of 1957 operating earnings. During the decade ended with Dec. 31, 1957, book value increased some 53%; operating earnings about 86%; invested assets 16%; and dividend 66%.

The stock is now selling at about 14½ times 1957 operating earnings; in 1957 it earned about 9.3% on the year-end book value. The gain to the shareholder in the decade to Dec. 31, 1957, was $56.84 a share or at the annual rate of $5.68. Retained earnings in the 10 years totaled approximately $20.

Westbrook, Hemming With Nat'l Securities

Richard N. Westbrook has been appointed Manager of the public utilities division of National Securities & Research Corporation, 120 Broadway, New York City.

Richard Wes[illegible] [illegible]oel P. Hemming

Prior to joining National he was a member of the committee on valuation of securities of the National Association of Insurance Commissioners where he specialized in the analysis of public utilities securities held by insurance companies. He was previously associated 10 years with The Hanover Bank.

Noel P. Hemming has also joined the investment staff of National Securities & Research Corporation. A specialist in the steel, nonferrous metals and auto industries, Mr. Hemming has been named a research executive in the industrial division. He was with Moody's Investors Service for 10 years prior to World War II service in an intelligence unit of the Army. Mr. Hemming has been associated with leading investment banking firms and joined National from Shields & Company.

Three With Walston & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Gilbert L. Davies, William F. Marshall and Wayne D. Sewell have become associated with Walston & Co., Inc., 550 South Spring Street. Mr. Davies was previously with J. B. Hanauer & Co. Mr. Marshall was with Eastman Dillon, Union Securities & Co. and First California Company.

Joins Mitchum, Jones

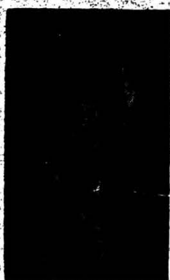
(Special to The Financial Chronicle)

LOS ANGELES, Calif—Charles H. Shattuck, Jr. is now connected with Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges.

Our Drive for Economic Security Means Surrender of Our Freedom

By ROGER W. BABSON

Looking back over his sixty years of voting experience, Mr. Babson fears voters want peace but are unwilling to sacrifice for it and that they place security ahead of freedom. The well known financial writer believes our trend toward incentive-discouraging welfare legislation will usher in national bankruptcy, that labor's over-reaching will bring about the next depression, and that we have forgotten our cooperative, community responsibility.



Roger W. Babson

As I look back over my 60-odd years as a voter and try to interpret the Democratic landslide of the last election, which happened while I was in Africa, I am forced to this conclusion: The average voter today is more interested in seeking "security" than he is in keeping "freedom." Now the only real security which I have been able to discover is spiritual security. This is confidence in one's God and in oneself so that, come what may, one can, and will, not only survive but meet competition successfully. So the thing that disturbs me most about the present wholesale desire for security, particularly in a time of plenty, is that it suggests a senile civilization, not the youthful, fearless men that made this nation great.

The Democratic landslide was a tremendous rebuff not only to the present Administration's "pay-as-you-go" domestic policy, but also to its foreign-aid policy. The voters seem to be saying, "We want peace, but we are unwilling to sacrifice for it." Our fathers knew that freedom and peace were conditions that had to be cultivated by each generation. Life, for our forefathers, was full of hazards. They were in danger of being scalped by the Indians, were often cold and hungry and without material comforts; but they were free men. Today we are slowly, but certainly surrendering those hard-won freedoms as we move in the direction of a welfare state.

Soak the Rich!

Subsidies and guaranteed "womb-to-tomb" economic aids of every variety have to be paid for by someone. Uncle Sam has no mystical source of revenue. Money for your unemployment security or old-age pension comes out of your pocket; not Uncle Sam's. He has no pockets; and if he did, I am afraid they would be full of holes! When you put a ceiling on a man's earnings by taxing his initiative, man tends to give up. And when you soak business and industry, you begin to destroy those financial sources that built our great educational institutions, hospitals, research centers, and libraries. You then begin to scare away private risk capital because the return is just not worth the risk. Then government steps into the breach to subsidize those projects which private capital formerly undertook. This means that more money has to be collected from your pay check in the form of taxes. Furthermore, as government takes on these responsibilities, it also assumes control over them. Thus, the individual, little by little, surrenders certain aspects of his freedom in exchange for what he thinks is security.

In my humble opinion, it then becomes but a matter of time before national bankruptcy sets in; in that event, all of our economic legislation may not be worth the paper the laws are written on. It may not happen in your lifetime, or perhaps even in your children's life span; but it can happen sometime. The history books will look back upon such a period as an era of economic leeches. I have long said that the next sizable depression will be brought about by organized labor's over-reaching itself. While we should be grateful for labor's watchful eye, we should at the same time be concerned about strikes and about any of labor's actions which result from its being exempt from the Anti-Trust laws.

Our Founding Fathers

Our founding fathers expressed their freedom in terms of responsibility. Each, indeed, was his brother's keeper. Men were close to one another. If there was a fire, they had to work together to put it out; if roads were to be built, the building became a community project; and the laggards were chastised by their neighbors.

One trouble today is that the average citizen has become so far removed from community responsibility that he has really lost touch with democracy in action. Too often the average man gives little thought to much of anything beyond the evening TV programs. It is almost as if he were unaware that freedom in our U. S. A. is fighting for its very life.

ABA and Mutual Savings Banks Assn. Discuss Taxation Problems

Representatives of the American Bankers Association and the National Association of Mutual Savings Banks meet at the A.B.A. offices in New York to discuss problems of taxation.

Seated around table (clockwise): William A. Lyon, President of the National Association of Mutual Savings Banks and President of the Dry Dock Savings Bank, New York; Earl B. Schwulst, President and Chairman of the board, The Bowery Savings Bank, New York; John W. Remington, Vice-President of the American Bankers Association and President, Lincoln Rochester Trust Company, Rochester, New York; A.B.A. Executive Manager G. Russell Clark; Crawford H. Stocker, Jr., President, Lynn Five Cents Savings Bank, Lynn, Massachusetts; Louis B. Lundborg, Vice-President, Bank of America N.T. and S.A., San Francisco; Lee P. Miller, President of the A.B.A. and President, Citizens Fidelity Bank and Trust Company, Louisville; and Louis E. Hurley, President, The Exchange Bank and Trust Company, El Dorado, Arkansas. Mr. Hurley is Chairman of the A.B.A. Committee.

Standing (left to right): A.B.A. Executive Vice-President Merle E. Selecman; Comer J. Kimball, Chairman of the Board, First National Bank of Miami, Florida; A.B.A. Senior Vice-President Ben C. Corlett; Henry S. Kingman, Chairman of the Board, Farmers and Mechanics Savings Bank of Minneapolis; A.B.A. General Counsel J. O. Brott; N.A.M.S.B. Executive Vice-President Grover W. Ensley; R. Stewart Rauch, Jr., President, The Philadelphia Saving Fund Society; N.A.M.S.B. Counsel William McKenna; and Carlysle A. Bethel, Vice-Chairman of the Board and Senior Trust Officer, Wachovia Bank and Trust Company, Winston-Salem, North Carolina. Mr. Rauch is Chairman of the N.A.M.S.B. Committee.

Ferro Dynamics Corp. Common Stock Offered

Public offering of 100,000 shares of Ferro Dynamics Corp. common stock (par 25 cents) at a price of $3 per share was made on Dec. 8 by Milton D. Blauner & Co., Inc., and Hallowell, Sulzberger, Jenks, Kirkland & Co.

The net proceeds from the financing will be added to the general funds of the company to be used for increasing working capital, to retire loans from factors and for expansion and improvements, additional machinery and equipment for use in the company's research and development work.

Ferro Dynamics Corp. manufactures and sells magnetic recording tape for use with magnetic tape recorders. Its factories and offices are located in Lodi, N. J. The company produces five types of magnetic recording tapes under its brand names, "Sonoramic" and "Brand Five."

Upon completion of the current financing, outstanding capitalization of the company will consist of 221,792 shares of common stock; 76,792 shares of common stock B; and $22,534 of long-term notes payable to banks and others.

Allen L. Hopkins

Allen L. Hopkins, partner in Putnam & Co., Hartford, Conn., passed away suddenly Nov. 30 at the age of 55.

Robert H. Scanlon

Robert H. Scanlon, limited partner in Stewart, Eubanks, Meyerson & Co., San Francisco, passed away Nov. 21.

Securities Salesman's Corner

By JOHN DUTTON

A Follow Up Idea for Newspaper Advertising Replies

Every firm that advertises specific securities accumulates a supply of names of people who have answered these ads but have not been developed into customers. Where the plan has been to distribute the names to the sales organization, many salesmen allow the names to lie in their desk drawer, or their card files, and after they make one or two attempts to interest these prospects in doing business with them they allow the names to die there. Following is a letter that was used to offer an attractive issue of tax exempt bonds to a list of individuals who had originally made an inquiry about tax exempt bonds.

"Recently you answered one of our advertisements concerning tax exempt bonds.

"Due to a fortunate purchase we are offering, subject to prior sale, a very limited amount of City of Pennsyltucky, G. O. 3¼% bonds. (Circular enclosed.)

"These bonds are highly regarded by institutional and professional investors and they are readily marketable.

"Due to the attractive price at which we are making this offering, and the limited amount available, they should sell out promptly. Kindly telephone the writer if you are interested in further information, or wish to place an order.

"Very truly yours,

"________________"

"P. S. If you are located outside greater New York please call the writer collect."

This memo-letter can be neatly mimeographed and sent to all prospects on such a list. It does not need to have the name, address and a salutation unless you wish to do so.

The same idea can be used regarding attractive offerings of individual corporate securities. The main purpose of such mailings is to keep your name before prospects who have shown by their answer to your advertising that they have an interest in investing. After several mailings and telephone calls the salesman should either be able to open the account or eliminate the name from the active prospect list. Some people that answer newspaper advertising are chronic information seekers or window shoppers and they seldom buy securities. On the other hand, people who are serious about investing welcome suggestions, especially if they are briefly presented by a letter along the lines we have suggested.

Keep a Record of Prospect's Investment Preferences

If you have received leads from your firm's mail or newspaper campaigns be sure to make a note of the type of inquiry indicated. Some people want general information, a portfolio review, a special corporate or municipal offering, local stocks or bank stocks, and the nature of the inquiry gives you an indication of the preference of the customer. Recently I was told of an inquiry that was three years old and was finally turned into an account. The salesman that performed this fine job of salesmanship is to be complimented as much for his record keeping as for his tenacity. Three years ago he obtained a lead from a newspaper ad and this advertisement offered information on local securities in which his firm was interested. Every two or three months he would send the prospect a mailing of an attractive local issue. Last month a very special nationwide offering of a security of a firm that was located in his city came to market. He picked up his telephone and Mr. Prospect said yes. His mailings every two months had paved the way. The time and the issue finally came around. In this business the constructive work you do today will pay off tomorrow.

King Merritt Holds Annual Sales Conv.

King Merritt & Company, Inc., 85 Broad Street, New York City, one of the country's largest mutual investment fund direct sales firms, held its annual International Convention Dec. 8-10. More than 700 sales representatives and their wives attended, some from as far away as Seoul, Korea, and Munich, Germany.

Representatives were on hand from all 44 states and most of the 16 foreign countries in which King Merritt & Company, Inc., operates. More than 150 from King Merritt & Company (Canada) Ltd., the Canadian subsidiary, are attending from as far east as Newfoundland and New Brunswick to Vancouver on the west coast.

Members of the investment advisory committee of the institutional funds led the delegates through the problems of managing a group of mutual funds whose total assets currently are in excess of $100 million. Included on the committee are Lynn Shurtleff, partner, Hayden, Stone & Co.; Harold H. Young, partner, Eastman Dillon, Union Securities & Co.; Schroeder Boulton, partner, Baker, Weeks & Co.; Lucien O. Hooper, research manager, W. E. Hutton & Co.; Pierre R. Bretey, partner, Hayden, Stone & Co.; and Leicester W. Fisher, Vice-President, Van Strum & Towne, Inc.

King Merritt & Company, Inc., the Institutional Funds, and Van Strum & Towne, Inc., are subsidiaries of Channing Corporation.

Graham, King Add Two

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Howard J. Richard and S. Arthur Verenis have become connected with Graham & King, Inc., 16 Court St. Mr. Richard was formerly with Nelson S. Burbank & Co.

Continued from page 3

Competition vs. Monopoly

sult of our success, of what we have accomplished — I'd like to discuss some of our economic problems.

Our Economic Problems

We hear almost every day that inflation is our biggest economic threat. I do not agree. As a matter of fact, we don't even have true inflation. We do not have a situation where too much money is chasing too few goods. We did have such a period after World War II when we were filling shortages. But now the capacities in most of our basic industries exceed the demand. We do not have old-fashioned inflation.

What we have is a situation which has been artificially created. Among other things, it has been created by three factors, as I see it. One is the failure of the "big solution" to our economic problems that we adopted in the 1930's. This was the compensatory theory, which was that the government would exercise that degree of economic control and engage in that degree of economic activity and financial spending that would restrain in good times and stimulate in poor times. That was the theory adopted following the great depression.

It has been a miserable failure in practice because it has proven to be a one-way street. The man who did more than anyone else to bring about the adoption of that policy, Marriner Eccles, has since then, in periods of high prosperity, called for higher taxes and restraints—and we have done practically nothing about it. The government has been propelled into a continuation of public expenditures and activities that would continue to stimulate in periods of high as well as low activity. Basically, it has been a one-way street. There have been moderate exceptions, but they haven't been very significant.

The second factor is that in the last couple of decades, we have developed labor monopoly and a degree of industrial concentration greater than any we have ever had. Out of that situation, (particularly out of superior labor power in the collective bargaining process) we have experienced continual rises in wages and prices.

Actually, this wage-price spiral has been stimulated and pushed along importantly as a result of Walter Reuther's brilliance in recognizing that if he could take on the world champion of all business—General Motors, the company which is properly making more money than anybody else, and use their profits to create public pressures on them, to get them to make wage or other concessions—he could then use those concessions as a pattern in the automobile industry. The other unions then could use them as patterns throughout the American economy.

Reuther is a very able and skillful man. He has played the automobile industry off its feet, including this year.

The third factor: Excessive reliance on monetary controls. With a loose fiscal policy, with the rising wages and prices, the Federal Reserve Board has used its monetary controls to stop things and then start them again. We have had a succession of exercising monetary controls to slow things down and turn right around and reverse them to get things going again. There is no indication that we are out of that cycle. We have placed an excessive reliance on monetary controls to deal with a situation that is not old-fashioned inflation.

I think those three factors have created an economic situation that constitutes our biggest economic threat.

Source of Our Economic Strength

If inflation is not our biggest economic threat, what is? Well, what is the source of our economic strength in this country? If you analyze it fundamentally, the real source of our economic strength is the fact that our economy is based on the principles that created our political system. If you look back of our political system, the most fundamental principle of all is the divine origin of man and the inalienable right of every individual for self-expression and development, and the recognition that ultimate power should be vested in the individual citizen.

In order to preserve the divine rights of individuals, we created a political system that fundamentally distributes political power—distributes it to the point where no one man or no one segment of government can exercise absolute political power. We did that so citizens could exercise ultimate control. Based on those political and religious concepts, we have created an economic system that is unique and distinct. We have created an economic system the fundamental objective of which is to keep economic power dispersed so that no man, no company, no industry, no group can exercise a disproportionate amount of power in our economy. We have done that through the use of the competitive principle.

We have recognized there are only two ways of disciplining an economy — with competition or with absolute authority. The absolute authority may be private, as in the cartel system or modifications of it; or public authority, as in various totalitarian forms. So far as I know, there are no alternate methods of disciplining an economy; either competition or some form of absolute authority other than self-restraint. But self-restraint is not an adequate means in an imperfect society made up of imperfect human beings.

This competitive principle has kept power dispersed and has made it possible for individuals and companies freely to do those things they thought would enable them to grow and be successful. It has unleashed the innate capacities of individuals to greater extent than any other system the world has ever known.

Cooperation and Individualism

The other thing we have done in this country is to exercise the self-restraint that is necessary. But we have gone beyond that—we have organized effectively to moderate the impact of competition if it were carried to extreme. To accomplish this, we have used the tool of voluntary cooperation. Through voluntary cooperation, we have combined as free individuals and free companies to do those jobs that are too big for any individual or company. Voluntary cooperation has made competition socially responsible and has preserved economic freedom. Competition, if carried to excess, becomes the law of the jungle.

Henry Ford, Sr., once said, "It is individualism that makes cooperation worthwhile." The greater the capacities of the individual, the greater the results of the cooperation.

I add to that the thought that it is cooperation that makes individualism possible. Unless you have the enlightenment that comes out of cooperation, then competition can reach extreme proportions.

The other characteristic that has built our economic system is reward based on consumer or market determination of contribution and risk. We have been willing to reward the individual or the organization that made the greater contribution. While that hasn't been perfect, people and organizations have nevertheless been rewarded more nearly on the basis of their contribution than in the case of any other economic system the world has ever seen.

Biggest Problem Is Industrial Concentration

I believe that our principal economic problem arises from the fact that the principle of competition is vitally threatened—vitally threatened by industrial concentration. I would like to spell that out a bit. The competitive principle is the principle by which the citizens in the marketplace decide what the rewards of the individual enterprises should be. One of its necessary virtues is that it eliminates the inefficient. The inefficient die out. Competition in business is different from competition in baseball. If you are at the bottom of the league for too long, you just disappear.

Our economy is still relatively new. Many of our big basic industries are less than a hundred years old. Many are only 50 or 60 years old. Our industrial development has occurred largely in this century. Many of our big basic industries have been like the automobile industry. There have been more than 1,500 different automobile companies in this country. Today there are only five left. That is because the competitive principle has been operating effectively, as it should, in eliminating the inefficient and rewarding the efficient.

Must Inject New Enterprise

But — we have not thought through in this country the fact that at some point in the operation of the competitive principle, there must be a means of injecting new enterprise into industries that have reached the point where they have a minimum number of competitors. The automobile industry, on the basis of public policy is exprssed by both the Republic and Democratic administrations, has a minimum number of competitors. There are only five companies left. I do not want the process of possible economic death for any company in the automobile business to stop, nor do I want any company in the industry to restrain its competitive effort on the basis that it might get so much of the business that it might be proceeded against under the antitrust laws.

Yet I do not want to see these five companies protected and assured of their continuity. I have reached the conclusion, in my own effort to think through this competitive system, that if the competitive system is going to be the means of economic death to eliminate the inefficient, then we also must have a means of replacement or economic birth. I think that the process of economic birth in our major basic industries in this country is vitally necessary if we are going to maintain the type of economic progress we have made in the last 50 or 60 years in this country.

It is reported that Judge Elbert Gary at one time decided that U. S. Steel would never take more than 35% of the total steel market. They never have. I don't know whether Judge Gary ever adopted this policy for U. S. Steel, but if he did, I think it was wrong.

Men who are heads of top companies in other basic industries have told me they will never take more than 35%. I think that is wrong. I think it is dangerous because we are dealing with world competitors who are determined to use every resource they can, to surpass us. I think we must use every resource we can muster to keep ahead of them. That includes the unrestrained use of enlightened competition.

I think it means that in our basic industries, which are down to a handful of companies, we must have a process of economic birth. That process no longer can depend on the birth of new companies by the investment of new money. The risk is too great in our established basic industries.

Also Attacks Union Power

I think the role of unions is necessary, but I think we went too far because we took the limits off concentration of union power. The worst mistake we made was that in enacting the laws that provide for collective bargaining, we created a union structure premised on monopoly. We have exempted unions from the competitive principles as they are applied to other segments of our economy. The result is that in America we have a basic economic conflict today between the antitrust laws, that are based on the principle of competition under which industry operates, and the labor laws, which are based on the principle of monopoly under which the unions operate.

Further complicating things is the fact that companies, in order to offset this vast power of unions, are now combining their power to try and offset the union power. We saw Big Three collaboration in automobile industry bargaining this year.

What happened when the Big Three began to collaborate? Reuther did the perfectly obvious thing. He went to the AFL-CIO convention in Atlantic City and secured the pledged and financial support of all the AFL - CIO unions. After all, what he accomplished would determine importantly what the rest of them would accomplish. Instead of the Big Three being confronted with the consolidation of union power on an industry basis, they were confronted with the consolidation on a national basis.

Government Control

What is the end result of that process. It is ultimate consolidation of both labor power and industry power on a national basis. What are the Big Three companies going to do? Will they get together next time with Big Steel, Big Electrics, and so on? If they do, there is no question in my mind that the government will be forced to step in, just as the government was forced to do in Germany, Italy and other countries where national concentration developed.

We now have the picture of the six airlines combining — and what's happening? The unions are combining on the other side.

The organization of "power to meet power" that should not exist is not the solution. This wage-price control threatens greater concentration of Federal power. The President is talking about wage-price control. That's all he talks about, aside from making naive appeals for self-restraint under a situation where monopoly power has been organized for union leaders, who are essentially politicians. They have to function as politicians. That is the method of their function. The result is constantly rising wages, costs and prices, and thus we are having indications from Washington that there is a serious likelihood of wage-price control as an effort to halt this wage-price spiral.

Notes Auto Price Rise

The wage-price spiral is not over. It has been stated publicly that the automobile settlements this year are non-inflationary. I do not know how on earth you can say a settlement that results in a price increase of $150 a car is non-inflationary and that it puts an end to the wage-price spiral. The facts are that Walter Reuther — in a situation where the public was opposed to wage increases that would result in price increases—secured 14 to 15 cents an hour this year. That is far beyond any national productivity increase. As a matter of fact, each time he starts bargaining now, he starts from the base of the rate of national productivity increase because that is just an accepted level to start from, as a result of the agreements reached over the past several years.

Walter Reuther's Reasoning

With good business, you think David McDonald is going to settle next spring for a non-inflationary steel wage increase, or a non - price - boosting wage increase? The wage-price spiral is still with us, and Walter Reuther is proposing Price Boards that would review the facts of a company's need for a price increase before they can increase prices. He stops short of making that a public utility status, by saying that the Board would just find the facts and announce them and if the company wants to go ahead and raise prices—all right.

The hard facts are that Walter Reuther's defense for union monopoly is big companies. Here is his latest interview reflecting his basic thinking, given to the representative of the "London Times." The theme is, "There Must Be—Big Unions and Big Business." Here is Walter Reuther's defense of big unions:

"Now big labor is also a by-product of the same technological facts of life as big industry. You can't have small unions dealing with General Motors. You must have big unions—strong unions."

In my judgment, the most serious problem we have in the United States is the excess concentration of labor, industry and governmental power, and the threat to the continuation of our competitive economy resulting from these concentrations and the conflicts between the basic economic laws that we have on the statute books.

Cites Mikoyan's Realization

This fact is not unrecognized by the Russians. Mikoyan is recognized as their greatest economic mind. He worked in an automobile plant in Detroit in the 1930's. He was asked recently if he seriously thought the Russians would surpass this country economically. His answer was: "It depends on many things — on monopoly and what happens to competition."

The only other specific subject he discussed was their ability to keep up with us on their military program. He did not indicate what his attitude was on monopoly and competition. But he put his finger right on the central question.

Our entrenched success now reflected in this excess concentration of labor, industry and political power is also resulting in an excess concentration of political activity and responsibility. We have growing political party domination by big business and big labor.

Let me read what Reuther's viewpoint on that is: He is for it.

"More and more, the Democratic party is coming to reflect the kind of program and policies the American labor movement can support, while the Republican party more and more becomes the party of big business."

Why is he for it? Because that increases the role of government. His solution for everything for the last two decades has been some form of centralized planning by government, labor and industry.

Control of Two Political Parties In Michigan

The two political parties in Michigan are in this situation. Reuther dominates the Democratic party, and General Motors and Ford dominate and are out in front of the Republican party. It leaves the individual, who is not disposed to see the domination of these two parties by economic groups, with no place to go as far as the two major parties are concerned.

We have in this country an excessive organization of private power for selfish and special interest purposes. Big labor and other groups are organized to secure special action from the Federal Government. We are threatened with a decline in the consumer's power and the possible substitution of arbitrary Federal power.

Actually, economically, through the principle of competition, we have vested ultimate authority in the consumer — just as we have vested ultimate political power in the hands of citizens. This is now threatened.

Better Antitrust Laws

In solving the wage-price spiral, what should we do? As I have already pointed out, our strength as a nation derives from our religious and political concepts. Our political instruments were developed on the basis of distribution of political power so that no agency of government could exercise undue power over the individual. The same thing applies to our economic life. Because of excessive concentration of industrial power, our antitrust laws need modernization and strengthening because they no longer adequately apply to economic concentration that does not result from engaging in prohibited practices. We must remove industrial concentration in our basic industries that threatens the existence of competition. We need economic birth in our major industries to maintain our economic vigor and to replace the inefficient by the efficient.

The Kefauver Committee has just issued a report on the automobile industry. They recommended the break-up of General Motors. I disagree sharply with the Kefauver Committee in many of its specific findings with respect to General Motors. Actually, General Motors is big, healthy and highly profitable because it has excelled in the past in its ability to build cars customers preferred. It did this through competitive methods that in the main are not subject to criticism. As the world's present outstanding example of industrial efficiency, its profits are higher than the average company, and I think this is in accord with the American principle of reward on the basis of contribution.

The Reuther program is one of trying to cut GM and others down to the level of the average profit. That is like saying to the fellow who can run the 100-yard dash in 9.3 seconds that he can't run it in 9.3—he should run it in 10.5, or whatever the other fellows in the race can run. I think that is wrong.

As the world champion of industry, GM's exceptional profit is **not** the big problem. The Kefauver Committee said it was. The big question is whether there is adequate competition in the automobile industry. That is the big question. If GM makes 19, 20 or 25% against adequate competition, then it deserves 19 to 25%. With only five car companies, one of which — GM — has a dominant position and a single union monopoly, there is a lack of adequate competition in the automobile industry.

Would Break-Up General Motors

Latest figures show that three of the remaining five companies are losing money. There is no assurance that all of these companies will survive the competitive battle, and there never should be any such assurance. To provide a vitally necessary means of replacing the inefficient and to maintain adequate competition on the industry side, we need to amend the antitrust laws to provide for the creation of new companies out of the most efficient company or companies, when the number of competitors reaches a minimum level. I think that should be embodied in our antitrust laws, and it should permit the company that achieves the desired position of reaching a point where it can, through fission, create additional companies in an industry, to do so on the basis of its own proposals —at least if it is willing to do so.

I think the petroleum industry has been strengthened by the fact that on a mandatory basis the old Standard Oil Company became 38 companies. I think it should become a matter of industrial recognition and accomplishment to become the source of a multiple number of energetic and creative companies.

I know of only one way by which GM, if it has the efficiency of the level that some people think it has, can become the source of all the automobiles built in the U. S. That is for GM to become the parent of a number of companies. If those companies, through their competition, can build cars that people want better than other companies, they ought to be the source of automobiles in the U. S. I am not proposing anything that would restrict the competitive effort or restrict their growth. I do not care how far they grow horizontally in different industries. But when in our basic industries, a company or a couple of companies become dominant, then I think that if we are going to keep this country from going down some totalitarian road, we must get an adequate number of competitors back in that industry. I think the stockholders' interest is served by enabling them to benefit from their company's being the source of the competitors that are needed. Unless we do, we will not have the competitive effort that achieved our amazing industrial growth during the past 60 years.

Wants Collective Bargaining Equality

Similar conditions prevail in many of our basic industries, and this calls for modernization and strengthening of our antitrust laws. However, to divide our huge industrial giants and ignore our even larger union goliaths would be a tragic mistake—and this is what the Kefauver Committee did. It dealt with the industry side but completely ignored the union side. The fires of the wage-price spiral have been fed and will be fed again by the excessive power of monolithic unions in the collective bargaining process. Union power must be divided too, and be made subject to the same basic economic principles that apply to industry.

Let me make it clear that I believe there should be equality at the bargaining table. Only in this manner will collective bargaining results be based on economic facts and not on economic force. Only in this way can we expect collective bargaining equity.

The Kefauver Committee completely ignored the equal necessity of curbing and dividing the excessive power of unions. This makes their recommendations partisan and dangerously inadequate to correct the lack of adequate competition and the wage-price spiral that is being generated in the automobile industry.

What this country needs is a political leader and party with the insight and courage to curb the selfish excesses of labor, capital and other pressure groups through impartial administration of modernized and strengthened laws designed to protect the public interest and the national welfare.

We cannot long survive with some laws that are out of date written back when American industry was just beginning, and others that are designed to promote the selfish interests and welfare of minority groups. We do not need more laws. We need to improve those we have and return the Federal Government to being a government of the people, for the people and by the people. We must do the same with our economic system. Unless we do this quickly, both will fail us in our hour of greatest need. At a time when our economic growth and health should be greatest, we are running a constant wage-price fever, experiencing economic instability and apparently being surpassed in our realization of the unbelievable potentials of the new atomic and electronic age.

We must deal with these problems. On the one hand we are faced with labor monopoly, on the other we are faced with excessive industrial power. The labor laws are based on the concept of monopoly and the antitrust laws on the concept of competition; the economic conflict between the two is just as fundamental as the social conflict between slavery and freedom. We cannot have an efficient society consistent with our American ideals of democracy and individual freedom that is split down the middle. The power struggle between these growing opposing forces is growing so great that we are threatened with further control by government and another big step toward a totalitarian state. I think this situation has affected the position of our political parties.

Wants Political Differences

I see no big basic difference between our two political parties. I think it is tragic that in this country, faced with problems of the character I have tried to touch on, we should have two political parties that are not giving the public an opportunity to express themselves on the big basic issues—that are going to make or break us. Here are just five examples:

(1) A government supported and controlled by the people or a people supported and controlled by the government.

(2) Monopoly versus competition.

(3) Centralized planned economy versus voluntary cooperation encouraged by specific and strong basic government policies.

(4) Collective bargaining based on conflict and economic warfare and power versus collective bargaining based on cooperation and the mutual interest of employees and employers.

(5) Excessive concentration of industrial, union and government power versus dispersion of such power.

These issues cannot be resolved if neither party will take a stand on them. We need at least one party in this country that is subject to no group but devoted to the indispensable and dynamic principles of Americanism.

In the meeting of what is rapidly becoming political domination of the Democratic party by organized labor, industry should not imitate the union's methods. These are to be deplored, not duplicated. One of the problems in America is the use of economic organizations for political purposes. Politically we should express ourselves as individual citizens, as Americans, through political organizations—not as members of different economic groups. This is particularly true of big business and big labor which wield such great power. It will be tragic and probably fatal to American freedom if big business corporations follow the union trail into politics. That is being urged on every hand.

Forced Political Contributions

I am not talking about trade associations or public education. I am not talking about a company informing its employees of the economic facts of life of that enterprise. I am talking about the fact that it is morally and politically wrong in every way for an economic organization like the union to take the dues of its members to support political candidates that those members do not personally support.

I think it is just as wrong—just as wrong for corporations to use corporate funds directly or indirectly (and I emphasize the indirectly) for the same sort of thing, or to put the officers of their company or the employees of their company in the position where unless they make contributions to a particular political party, they have the feeling that they are not in step with the leadership or management of the company.

I say that as far as I am concerned, I would rather stand by the principle that political activity is a personal citizenship right —that we should stop the unions from doing what they are doing that's wrong, rather than try to imitate them.

Businessmen as well as others should take a more active part in politics but do so as individuals and not as employers or employees. I urge all Americans to become active politically. We must place effective limits on the responsibility and function of government, labor and business to preserve our liberty and progress. The tendency of all three groups, industry as well as labor and government, is to consider themselves as responsible for the whole man. This is resulting in a consolidation of governmental, union and industrial power that threatens the future of power dispersion. Individual freedom depends on adequate dispersion of power at all levels—political, social and economic. It is the **only** way individual freedom of expression and choice can exist — the only way we can prevent a monolithic society.

Economic's Education

I would like to say . . . I do not think we have even thought through in this country how we can properly describe the American economic system. I do not have time to discuss that except to say this: We are engaged in a battle for men's minds around the world. The terms we are using the Russians are delighted to have us use. They love the term "capitalism," even when we call it "Peoples Capitalism" because "capitalism" to the people of the world means a predatory few that benefit at the expense of the many. That has been European capitalism in the main, which is quite different from what we have in this country. I do not even use the terms "private enterprise" or "free enterprise" because they do not convey a definite and accurate picture. Politically, the citizen is in control and economically the consumer is still in control in this country, thank goodness.

The facts are that the chief beneficiaries of the American economy have been the American consumer and they are the ones who still decide the course of the American economy. Because they are the chief beneficiaries and the ultimate exercisers of power over our economy, ours is a system of "consumerism." It is not "capitalism" any more than it is "laborism." Slichter says we ought to call it "laboristic" because of the growing power of unions. We are moving in that direction. But it isn't "laboristic" yet. It is "consumeristic."

Willingness of Men to Speak Out

Words are important in conveying the proper pictures in this world battle. I have reached the point as far as I am concerned where I am going to speak out. I think that one of our problems is that men are not willing to speak out. Sure, we will make some mistakes. I am in plenty of doghouses already. But I am concerned about America. I am concerned about saving America if I can help in some small way. I have decided that Franklin was right when he said: "If all printers were determined not to print anything till they were sure it would offend nobody, there would be very little printed."

The Committee for Economic Development, in a booklet just published on inflation, says "you have to have more competition." But there is not one little word about how you get more competition. I have tried to touch on it in a rough fashion in an extemporaneous manner.

We must fight for the good and the excellent.

"The good and the excellent stand moment by moment on the razor edge of danger and must be fought for."

Americans are losing their convictions and their values. That is why I think we have to speak up. I agree with what Lowell wrote:

"Then to side with truth is noble
When we share her wretched crust,
Ere her cause bring fame and fortune,
And 'tis prosperous to be just;
"Then it is the brave man chooses,
While the coward stands aside,
Doubting in his abject spirit
Till his Lord is crucified."

I also agree with William Jennings Bryan who said:

"If every word has its influence and every deed weighs in the final count, then it little matters to an American whether his eyes behold victory or whether he dies in the midst of the conflict."

I hope we will face these internal "somethings" and thus strengthen ourselves to face the external "somethings."

Mark Lerche Joins Knickerbocker Shares

Mark T. Lerche has been appointed wholesale representative for Knickerbocker Shares, Inc., in the New York and New Jersey area. Mr. Lerche has had a broad sales background. He will be working closely with Peter V. K. Funk, Vice-President and director of sales of Knickerbocker Fund (Income) and Knickerbocker Growth Fund, in launching their new national sales program.

J. & W. Seligman Co. Quarter Century Club

The Quarter Century Club of J. & W. Seligman and Union Service Corporation took in six new members at the Club's annual meeting and luncheon at the Lawyer's Club Dec. 3. The new members, who completed 25 years of service in the past year, were: Ruth M. Goebel, Hazel M. Manley, Clarence H. Baldwin, Frederick W. Page, John F. Strauss and Russell A. Tilton, Jr.

J. & W. Seligman is one of the oldest member firms of the New York Stock Exchange and Union Service Corporation is the organization that provides investment research and administrative services to Tri-Continental Corporation, the nation's largest diversified closed-end investment company, and the Broad Street Group of Mutual Funds — Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.

Of the 211 employees in the organizations, 48 are active members of the 25-year Club. Oldest member is Herbert S. Bachman, a Seligman employee for 60 years. Employees of a subsidiary, Broad Street Sales Corporation, are also included in the club membership.

Now With York Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—John R. T. Montin has become affiliated with York & Co., 235 Montgomery Street, members of the Pacific Coast Stock Exchange. He was formerly with First California Company and prior thereto was Walnut Creek manager for [illegible] Co.

Continued from first page

As We See It

and is the effort spent in useless and destructive regulation of ourselves. Our attitude, or that of many of us toward production and the limitation thereof, particularly by organized labor, also costs us heavily. Programs and policies which tend to kill or reduce incentives are still other self-imposed handicaps which should go by the board without delay.

More Is Involved

These things, we now repeat, we must do if we are to realize anything approaching our full potentiality. But more, so say these current commentators, is involved than mere volume of production or the efficiency with which it is accomplished. The millions, yes, the hundreds of millions of people throughout the world now in abject want are pictured as being in a state of mind which is likely to lead them to look abroad for help in working their way out of their difficulties. The question is, so it is said, whether these benighted and backward peoples will presently be easy victims of communistic notions with the result that they will soon find their way into the camp of the Kremlin and hence at odds with us and the remainder of what we usually call the free world. Of course, in any such situation much might turn on what seems to be greater progress by the communists than in the capitalistic world. This danger, so it is said, is the greater by reason of the long history of colonial rule and sometimes colonial exploitation.

This seems to us to be a battle—if it is a battle—at least as much of propaganda as of economic achievement. The Kremlin is pastmaster of making the worse appear the better reason, and it often seems that spokesmen for this country are inept to say the least in presenting the essential facts of our mode of life to the outside world. We suppose that to the uninitiated, the sight of the Russians, but recently thought of as a backward people, making remarkable progress in science and technology has had and will have an appeal out of proportion to the facts to those backward people eager, so it is said, to improve their own pathetic economic position.

We find it impossible, however, to escape the suspicion that this danger is often exaggerated. Let us not forget that economic progress in these backward regions would be an excellent thing, and that is true regardless of the social or economic systems through which it is accomplished. What we have a right to be uneasy about is the likelihood that progress of this sort, aided and abetted by the Kremlin, might lead to undue influence by the Russians and possibly subjection to the Kremlin—with the end result that we should have them all aligned somehow against us. It must not, however, be taken for granted that even if communistic, these now independent countries or regions would easily and gracefully accept the yoke of the Kremlin. We, so we think, are too prone to think of the communist world as "monolithic" as the Russian communists would and do say.

Naive?

But are we not a little naive in believing that the economic position of these poverty-stricken peoples will or can be greatly improved within a short period of time by the Kremlin, no matter what may be the policies or programs of that arch-tyranny? Let us take a look at the record of the communists in Russia itself. Somewhat more than four decades have elapsed since Lenin and his associates took the reigns in Russia. There is still no free land in Europe, so we should expect to find, where life is rougher or tougher upon the individual than in Russia today, and that despite all the progress which unquestionably has been made. It is true, of course, that Russia had to suffer severely at the hands of Hitler and his hordes during World War II, but so did most of the other peoples of Europe. We hear a great deal about progress in Russia since the end of World War II, but we wonder if it is greater than in West Germany.

Again let us not forget that such progress as Russia has made since the communists took over has been at the cost of blood and sweat and tears among the vast rank and file, who have paid dearly for any progress that has been made. It had to be that way if, by command from above, the people themselves had to make out with much less than they produced in order to build for the future. We can not help but wonder if there is any force in the world that could drive the rank and file in India, for example, to undergo such hardship and suffer such slavery as the Russians did. The same may well be said of most if not all of the peoples now expected to be helped by the Kremlin. Whatever Russia does or whatever any other country does, the salvation of backward peoples lies largely in their own hands.

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Textile Industry's Potential

try, through the genius, ability, and aggressiveness of its personnel, has been able to increase its productivity per man hour on an industrywide national average by 48.7% since 1947." This increase of over 48% for textiles compares with an average increase of approximately 47% for all manufacturers, and is a startling achievement for any industry and conclusive evidence that textile research and productivity and cost reduction has been continuous, wide-spread and highly effective.

Research has been equally spectacular in producing a host of new fibers, blends, yarns, fabrics, and finishes. Starting with the commercial usage of viscose and acetate filaments and fibers in the first quarter of this century, we have witnessed the introduction of literally dozens of fibers and filaments with exciting qualities. Nylon was, perhaps the most dramatic, but to this amazing fiber has been added orlon, dacron, acrilan, dynel, arnel, and many more so that today there are somewhere between 30 and 35 man-made fibers in commercial production and use. It seems that several new fibers appear every year and hundreds of millions of dollars are expended annually for research and new plant construction in this dynamic area.

New blends, constructions, and finishes have added qualities which have greatly improved all textiles, and progress has been revolutionary in the past 10 years. Improved qualities such as crease-resistance, crease-retention, dimensional stability, washability, no ironing, wash and wear, minimum care, abrasion resistance, durability, soil resistance, color fastness, lightness in weight, and many others certify to the amazing accomplishments of research and development in the textile field. Commenting on just one of these qualities, the magazine, "American Fabrics," in its Fall 1958 issue, said as follows: "Never forget for one moment that 'Wash and Wear' is one of the authentic wonders of the modern world. If someone had told you only a few years ago that in 1958 you would be able to toss a man's suit in a washing machine, put it in a dryer, and wear it with little or even no ironing, you would have said, 'Tell it to Buck Rogers'."

The research and development program in textiles which is expanding rapidly has already produced spectacular results in productivity and products, will undoubtedly continue to do so in the future, and is one of the great strengths of the industry. It is one of the things fundamentally right with textiles and points to a dynamic future for this industry.

Offers Bargain Values

Another area in which the textile industry has demonstrated its soundness is in providing products for the consumer at values which can only be described as bargains when compared with other areas of consumer expenditures. Using 1947-49 as a base period of 100, the wholesale price index of textiles and apparel stood in August, 1958, at 93.3 in sharp contrast to the index of 126.1 for all industrial commodities. At the manufacturing level, textiles have offered values today far greater than in the 1947-49 period. Quality is higher, performance is better, and ease of care greater than ever before, and prices are lower. The Bureau of Labor statistics consumer price index for all goods and services during 1957 was 20.2% higher than in the base period 1947-49. You may be interested in the figures for the several components. Medical care—138.0, transportation—136.0, housing—125.6, other goods and services—124.5, personal care—124.4, food—115.4, reading and recreation—112.2, apparel—106.9. If footwear were excluded, the apparel group would be at about 102.0.

Textiles and apparel thus, today, offer to the people of America the greatest values which are available in our markets. That the industry has been able to absorb rising costs of wages, supplies, machinery and materials and still maintain prices at bargain levels certainly indicates management ability of a high order. Unexcelled value for the customer is surely a basic strength of textiles and an area where the industry is very right.

Labor Opportunities

One of our most able textile executives recently said, "If you can develop the ability to assume responsibility you can get to the top faster in the textile industry than in almost any other business. It is essentially a young man's industry. Statistics show earnings for men in textiles 10 to 20 years out of college rank close to the top of all industries." Textiles provide excellent opportunities for young men. With 8,000 textile plants and over 30,000 apparel plants this better opportunity to get to the top is obvious when contrasted with the many other industries with a much smaller number of plants and establishments. The dynamic events in textiles coupled with a larger number of plants mean attractive opportunities for careers in textiles. This is an inner industry strength which will become increasingly obvious in the years ahead.

Perhaps one of the greatest strengths of textiles is the fact that the textile industry believes in standing on its own feet. It seeks no subsidy or special favor from the government and is dedicated to the principles of free enterprise and individual responsibility which has made this nation great. In the severe competition of our textile markets we have learned how to eliminate waste and inefficiency and nonessential costs in our textile operation and are prepared to serve the future with vigor and effectiveness.

With these fundamental strengths it is little wonder that the financial services are beginning to view textile companies as providing excellent opportunities for investment. In a review of the textile industry in its Oct. 20th issue, the Value Line Investment Survey stated as follows: "Inventory rebuilding, strong retail sales and improved demand from the automobile industry at the start of the 1959 model year have combined to boost textile mill production activity from its curtailed pace earlier this year. Over a three to five year period the stocks of this currently depressed group boasts handsome price recovery, in the assumption that the industry production stabilization program achieves its desired effect. These (textiles) stocks rank in Group I (highest) for appreciation potentiality to 1961-63." This type of statement has been typical of several recent reviews of the industry and is evidence of a welcomed change in the financial climate for textiles.

Expresses Own Conviction

My own conviction continues to be that the textile industry in the United States is potentially in the strongest position of its history. The excess productive capacity of the industry in relation to domestic markets has largely been liquidated and today our productive capacity and our markets are more nearly in balance than at any time since prior to World War I. The financial strength of the industry as a whole has never been greater. Sound merchandising and sales promotion practices are employed more extensively than ever and will grow in the future. The increasing income and population of the United States certainly provide an expanding market opportunity for this industry which supplies basic needs of our people. Because of these strengths and because of the things which are very right which we have talked about before, the textile industry possesses the potential for a vigorous and dynamic future providing (1) that the domestic textile markets are protected from a flood of imports from low wage foreign producers; (2) that our raw materials are made available to us at a price competitive with raw materials in the remainder of the world; and (3) that production management which will keep supplies of textiles in line with the demand is achieved.

Williston & Beane Lease

J. R. Williston & Beane, 69 year old New York Stock Exchange firm, has leased a ground floor office at 1370 Broadway, New York City, it has been announced by Alpheus C. Beane, directing partner.

The new office, located on the southeast corner of 37th Street, will open about Feb. 2, 1959, and will replace the present branch at 113 West 30th Street. Mr Beane said the branch, which will continue under the direction of Abraham Bukaresky, will enable the firm to provide more convenient service to its growing customer list in the area.

Coast Exchange Member

George W. Davis, Chairman of the Board, San Francisco Division, Pacific Coast Stock Exchange, has announced the election of Milbank McFie to membership in the Pacific Coast Stock Exchange through the San Francisco Division.

Mr. McFie, a general and limited partner of the member firm of Merrill Lynch, Pierce, Fenner & Smith, has acquired the membership by intrafirm transfer of the membership held in the name of the late Ferdinand C. Smith.

Midwest Exchange Member

CHICAGO, Ill.—The Executive Committee has announced the election of the following individual to membership in the Midwest Stock Exchange: John E. Coleman, John E. Coleman, Inc., Chicago, Ill.

With John H. Kaplan

John H. Kaplan & Co., 120 Broadway, New York City, members of the New York Stock Exchange, has announced that S. Stanley Garfinkel has become associated with the firm as a registered representative.

J. N. Hambourger Opens

CHICAGO, Ill.—James N. Hambourger is engaging in a securities business from offices at 1447 West Touhy Avenue. He was formerly with Boettcher and Company and Hemphill, Noyes & Co.

Skaife Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BERKELEY, Calif.—Donald F. Bergesen has been added to the staff of Skaife & Company, 3099 Telegraph Avenue.

Purchasing Agents Report Continued Mixed Improvement

Optimistic talk about the future course of the economy, concern over very narrow profit margins despite satisfactory level of business volume in some industries, continued drag on employment hiring, and gradual price inflation, are principal reports comprising the latest compilation on the business outlook by National Association of Purchasing Agents' Committee.

Purchasing executives' report, in their December survey that there continues to be a good deal of optimistic talk concerning improved business conditions. The auto companies report a heavy demand for new cars, with substantial backlogs. Also, the recent strike situations which slowed production of automobiles have now been resolved. There is a continuing lull in textile, lumber, and machine tool demands; however, ferrous and nonferrous metals are being produced and sold at a higher quantity level.

Despite a satisfactory level of business volume in some industries, many of the purchasing executives, (who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Chester F. Ogden, Vice-President, The Detroit Edison Co., Detroit, Mich.) continue to mention their concern over very narrow profits margins.

Production, in general, is off slightly, with 52% reporting better production, compared with 54% so reporting in October. There are 14% this month who report production to be worse. Similarly, new orders are reported better by 47% of our members, as against 50% a month ago; 40% report the same and 13% indicate a decrease in their new order situation.

Any price inflation appears to be very gradual. While inventories are up somewhat, this is based more on a need to support greater production than any concern over longer lead times. Some auto manufacturers are now operating on a six-day week; however, there is still considerable unemployment in many industries, with no indication of any immediate improvement.

There was no special question for November—but our Business Survey Committe members are studying the 1959 outlook of their respective companies. Next month, we will ask them to comment on the prospects for the new year.

Commodity Prices

Although prices are reportd firm, there is less inflation of the price structure than a month ago. While 54% of our members reported higher prices in October, only 34% so report in November. There are 64% who say prices are the same this month, and only 2% indicate lower prices. This pattern further confirms earlier predictions that price rises would be gradual, rather than sharp.

Inventories

Inventories increased somewhat over October, with 26% of our members showing higher quantities, 47% no change, and 27% pointed to reductions. The lower inventories reported by those considering year-end tax assessments are more than offset by increases in steel and auto producers' needs, which are currently geared to maximum production.

Employment

Employment trended down slightly from last month, with only 28% showing greater employment, against 31% in October; 56% indicated no change. Lumber mills are reported to be working less than five days per week. Local strikes prevail in some areas, but many contracts have been resolved in the past 30 days. Some auto manufacturers and their suppliers are now on a six-day week; but maximum employment in this industry is not as yet being realized.

Buying Policy

There has been very little change in buying policy for November. While inventories are now starting to climb slightly, only quantities are being increased — not commitments for extended periods ahead.

	Percent Reporting — Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. to 1 Yr.
November					
Production Materials	6	37	34	20	3
MRO Supplies	27	46	19	6	2
Capital Expenditures	13	2	19	23	43
October					
Production Materials	8	36	38	14	4
MRO Supplies	25	47	20	5	3
Capital Expenditures	12	7	18	23	40

Specific Commodity Changes

A large number of items are reported higher in price again in November, but there is not a lot of statistical support for any of them. In many instances, increases may be due to local changes in pricing structure.

On the **up** side are: Copper, lead, silver, steel castings and pipe, tin, zinc, paper cartons, wire rope, vegetable oils, fuel oil, rubber, cotton, burlap, electrical equipment, refractories, fasteners and graphite electrodes.

On the **down** side are: Steel scrap and some chemicals.

In **short** supply: Helium (it is interesting that Macy's, in New York, used air instead of helium in the inflatable exhibits in their Thanksgiving Day parade).

Mutual Fund Invs., Inc.

(Special to The Financial Chronicle)

FRESNO, Calif.—Mutual Fund Investments, Inc. has been formed with offices at 419 North Calaveras Street to engage in a securities business. Oliver R. Dibblee is an officer. Mr. Dibblee has been a resident manager for Mutual Fund Associates, Inc.

With Dempsey-Tegeler

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — James N. Johnson, Leo L. Kahn, Selvyn Levinson, Raymond Sodersten, and Marvin J. Wanetick are now affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street. All were previously with McDonald-Holman & Co., Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is still in a narrow range, with price movements being very readily made in both directions. It is quite evident that the Government market, aside from the near-term sector, is thin, with not a great amount of real investor interest. Hence, there is ample proof that it still has very much of a professional tinge. Also, it is not believed by most money market specialists that there will be a great deal of variance from this pattern for the remainder of the year.

Even though the demand for fixed income bearing obligations could improve somewhat in the future because the offerings of corporates is expected to taper off in the coming year, the inflation psychology continues to be strong and until there is a change in thinking there is not likely to be a sharp upturn in purchases of bonds.

No Activity on Tax Selling

Year-end operations, none of which are expected to be unusual, is about all that is being looked for in the Government market for the balance of this year. Most of the deposit institutions are doing very little in Treasury obligations, since the earlier part of the year afforded them an opportunity to make the needed changes for tax purposes. Other institutions also are quiet when it comes to Government bonds, since they are concerned mainly with the most liquid short-term obligations, which means that it is principally a roll-over of their holdings. The new 182-day Treasury bill will give many of them an opportunity to extend their maturities a bit and at the same time obtain a better return on the funds that are available for near-term investment purposes.

Inflation Fear Spurs Equity Buying

The insurance companies and savings banks have been sellers of the longer-term Government bonds from time to time, although not in large amounts, however. The indications are that these funds are still being reinvested in mortgages, corporate bonds, a few selected tax-exempt obligations and common stocks. It is evident that not a few of the life insurance companies are making more commitments in equities, at the expense of all fixed income bearing obligations. The inflation fear is the important force behind purchases of common stocks, not only on the part of individuals but also institutions and pension funds. And until there is tangible evidence that this spiral is either broken or slowed down considerably there is going to be a waning interest in issues that have a fixed rate of return.

Variable Annuity Policies a Probability

The inflation psychology is so important in the minds of most investors that there is a growing belief among financial experts that the variable annuity, which some life insurance companies have tried to get approved, will be given the green light in the not distant future. If this should come to pass, then the demand for common stocks as inflation hedges will increase sharply. As against this, there will be a decreasing interest in fixed income bearing issues, including Government bonds.

In face of all of this fear of inflation, which in this case is the erosion in the purchasing power of the dollar, it does not seem as though there is going to be much of a change in the demand for fixed income bearing issues. And this takes into consideration a higher rate of return, because of tighter money and credit conditions which would be used to control or at least impede the inflationary trend.

Bonds May Get Breathing Spell

On the other hand, it does not appear as though the corporate borrowing in 1959 will be as large as they were in 1958, while tax-free issues should be coming along at about the same pace in the new year as they were in 1958. The Government, after the early 1959 new money operation and the refunding of the first quarter maturities, will be out of the money market for a fair spell of time.

Accordingly, these forces, could have a favorable effect on the market for capital funds. It might be a breather for the long-term Government market, unless the Treasury in its coming new money and refunding operations should offer long-term Treasury issues because of the desire to extend the maturity of the Government debt. Nonetheless, th big bugaboo of the bond market is the inflation bias.

Alex. Brown & Sons Will Admit Partners

BALTIMORE, Md.—On Jan. 1 Alex. Brown & Sons, 135 East Baltimore Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, will admit James E. Holmes, Jr.; W. James Price, IV; S. Bonsal White, Jr., and R. Gerard Willse, Jr., to partnership. Mr. Holmes will make his headquarters in the Winston-Salem office.

First Columbus Corp.

(Special to The Financial Chronicle)

COLUMBUS, Ohio — The First Columbus Corporation has been formed with offices at 42 East Gay Street to engage in a securities business. Officers are Ned K. Barthelmas President and Treasurer; Charles T. Livezey, Vice-President; and James L. Barthelmas, Secretary.

Montgomery, Scott Co. To Admit Two Partners

PHILADELPHIA, Pa. — Montgomery, Scott & Co., 123 South Broad Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, on Jan. 1 will admit William B. Weaver, Jr., and Samuel M. V. Hamilton to partnership. Mr. Weaver will make his headquarters at the firm's New York office, 120 Broadway.

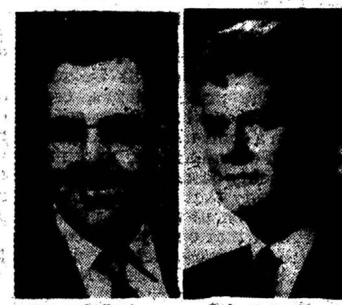
Herman Borchardt Now With Dean Witter & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Herman Borchardt has become associated with Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Borchardt was formerly manager of the research and analytical departments for Sutro & Co.

Clapp & Ratigan With Kenneth Ellis & Co.

PHOENIX, Ariz. — Two new members have been added to the



Peter J. Ratigan   Robert A. Clapp

staff of Kenneth Ellis & Co., 236-240 North Central

Peter J. Ratigan and Robert A. Clapp will serve as registered sales representatives. Mr. Clapp for the past five years has been associated with local investment securities firms.

Mr. Ratigan before entering the field of securities and investments two years ago, was associated with small loan companies in California and Arizona.

Prescott & Co. to Admit to Partnership

CLEVELAND, Ohio — Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges, on Jan. 1 will admit David E. Kreid to general partnership, and Charles B. Lansing to limited partnership.

Leonard J. Smith Joins Oscar G. Werner Co.

(Special to The Financial Chronicle)

PASADENA, Calif.—Leonard J. Smith has become associated with Oscar G. Werner & Co., 3870 East Colorado Street. Mr. Smith has recently been with Lester, Ryons & Co. and Shearson, Hammill & Co. Prior thereto he was an officer of Carl W. Stern & Co., Inc. of San Francisco.

Jim C. Courtney and Robert J. King have also been added to the staff of Oscar G. Werner & Co.

Kaufmann, Alsberg Partner

On Jan. 1 E. Henry Sondheimer will become a partner in Kaufmann, Alsberg & Company, 61 Broadway, New York City, members of the New York Stock Exchange.

Continued from first page

Outlook for the Bond Market

will produce a GNP for 1959 of something like $460 or $470 billion, rising by perhaps $6 or $8 billion annual rate per quarter, and I think there will be some rise in the price indexes, especially in the last half. I am counting upon a continued rise in spending by Federal, State, and local governments as certain. It seems to me likely that business inventories will be in an accumulation phase, and that outlays for equipment to increase efficiency and to improve profits will result in some moderate rise in fixed capital investment by businesses. At the very least, the drop in GNP resulting from the sharp slash in such speding during 1959 will not be present. Though this will not contribute much to the construction industry, highways, public buildings and improvements, and residential construction will provide the impetus there.

The mainstay of the recovery, of course, will be the consumer. His wants still are without limit, he has resources of income, savings, and reduced indebtedness, and experience teaches that when these resources exist, the consumer spends. It is noteworthy, I think, that during the third quarter consumer outlays upon durable goods actually rose, despite the fact that the automobile industry was almost completely out of the picture during much of that time—indeed, until well into the present quarter. I expect a good year in auto production and sales, and to my mind this, added to the other strengths present, assures a good year for the economy as a whole.

This implies a rising demand for money—a demand which always rises with rising GNP. I have not put together any figures on the capital demand-supply equation as yet—actually, I understand that some experts who have done so in past years have begun to question the utility of the effort. On general grounds, however, it is obvious that greater activity in production and payrolls, greater turnover, rising inventories, added spending everywhere, all together add up to a need for cash greater than current income can provide.

This also will apply to the Federal Government. Most recent forecasts suggest that greater tax revenues from higher incomes and profits can do no more to offset rising spending than to reduce this year's deficit by perhaps a half.

There must be taken into account, also, the world-wide demand for capital—whether called gifts, grants, loans, or investments, and whether supplied from the public or the private purse. The underdeveloped nations insist upon being developed — upon quickly providing themselves with a scale of living equal to the best —and to our government and to many citizens it seems expedient to help provide them with the means. The Development Loan Fund, for instance, began with a modest $300 million authorization last year, and now it is officially argued that at least $1 billion must be provided annually.

The Treasury's Problems

There will be a deficit to be financed. Its precise size is of less importance than the fact that in a period of prosperity the Treasury still will be spending more than it takes in; that it still will be a demander rather than a supplier of funds to the economy. The year 1959 also will be the last in which it takes in more revenue than it is really entitled to take. I refer to the five-year acceleration of corporation income taxes, which, as you know, has had the effect of collecting 110% of certain corporations' income tax liabilities in a single year. Thereafter it will not have these added funds in the first half of a calendar year; correspondingly, of course, it will not have to borrow as much in the last half, since the whole purpose of the law is to return to that fairly even distribution of quarterly instalment payments which existed prior to adoption of the Mills plan. It is true also, naturally, that the drain on the corporations' cash resources will be reduced equivalently.

So, regardless of the amount—$4 billion, $6 billion, $8 billion—the Treasury will be competing in the money and bond markets for new funds during 1959, with several offerings of new securities.

But there will be also the problem of refunding—or of a continued juggling of the floating debt—and it is difficult to say whether these refundings or the cash borrowings will present greater problems to the market. The year probably will be one of the biggest, in terms of dollar amounts of maturing obligations to be dealt with, that we have ever had to face.

At the beginning of the present year, 1958, the definite maturities which would have to be dealt with during calendar 1959 (always excluding the regular bill issues, which customarily are rolled over week by week) amounted to somewhat more than $10 billion. As of now this $10 billion problem has grown to nearly $49 billion. That figure compares with a problem of refunding during 1958 which at the beginning of the year stood at about $52.25 billion. The growth came about in this way:

The Treasury brought out a tototal of $67.8 billion new issues during 1958, of which about $17.1 billion was for cash subscription and $50.7 billion for exchange. Maturity-wise, the $67.8 billion breaks down into $43.6 billion made to mature in 1959, and $24.2 beyond 1959. And of the $17.1 billion isues sold for cash, $10.5 billion were given 1959 maturities. The $43.6 billion added to the 1959 list during 1958, plus about $5.3 billion 1959 maturities already outstanding at the beginning of 1958, adds up roughly to the nearly $49 billion cited above. (Parenthetically, the $17.1 billion and the $10.5 billion figures given understate the amount of cash borrowing; the regular bill issues were increased to raise a total of $1.3 billion earlier this year, and another $600 million will be raised in the three weeks before the year-end.)

Or, in other words, 61% of the cash borrowed during 1958 (again excluding the regular bill issues) and 65% of the refunding was done with maturities which will fall due next year.

This was done in the belief that there was no alternative. Whether there was or not, the fact now must be faced that the expedient solution provided temporary relief only. The money will have to be borrowed all over again in 1959, and in the face of a rising demand for funds in other sectors.

How this will be managed I cannot tell. I can only point out the fact that the Treasury will be in the market for refunding in February, March, May, June, August, November and December, and each of these operations will represent very large numbers. I have omitted from this schedule two relatively insignificant note maturities on April 1 and Oct. 1, amounting only to about $100 million each.

Federal Reserve Policy

Will the System gladly provide a sea of new reserves on which to float these new securities? I am inclined to doubt it. There has been, during the year now ending, a considerable increase in liquidity for the economy as a whole. Perhaps these was substantial justification for this—I am not prepared to argue just now that there was not.

Money supply, however defined, has grown substantially. By the usual definition (demand deposits adjusted plus currency outside banks) the expansion at the end of October has been about 2.8% from the year-earlier figure. Since the first of January the growth has been more than seasonal; an actual increase insignificant percentagewise presents a ten-month growth of 3.5% in the seasonally adjusted figures. If time deposits are included, money supply was 5.9% above a year ago and 3.7% higher than at the beginning of this year. These latter figures are not seasonally adjusted. I expect all of them will be larger by the end of this month.

Non-financial business corporations have materially improved their positions. According to the SEC a current asset/liability ratio of about 1.9, in the second and third quarters of 1957, had risen to slightly above 2.0 in the second quarter this year. There evidently has been a considerable further gain since then, especially in their holdings of cash and Government securities. Their comparative affluence has been a major reason why it was possible in September and October to place the Treasury's new issues so largely outside the banking system.

About the liquidity shift in commercial banks, there is some question. As the Philadelphia Federal Reserve Bank pointed out in a survey of this matter in its October *Business Review*, bank liquidity is easier to define than determine.

"It depends not only on the amounts of liquid assets the bank holds, but also on the demands for funds the bank must meet. A banker, in appraising his liquidity, must relate the supply of liquidity in his assets to the demands for liquidity by depositors and borrowers."

Though they have added substantially to their holdings of one year and shorter Governments, this has not improved the ratios which influence bankers' feelings about liquidity. "Their loan-deposit ratio is now about one-fifth higher and their liquid asset ratio about one-fifth lower than in mid-1954," the survey concludes, and, "In short, while banks are not exactly bone-dry today, neither do their cups runneth over."

In view of the increase in the economy's holdings of money and near-money which has taken place this year, I do not believe the Federal Reserve System will tolerate a similar expansion in 1959, which, as I expect, will be a period of rising activity, growing GNP, and rising demand for money. I think new reserves supplied to the banking system will be less, that banks will be operating with net borrowed reserves as a general rule, and that these borrowed reserves will cost them more.

To a considerable extent the banks will have to finance themselves, as in 1955-57, by finding buyers for some of their securities. They will incur losses in doing so, and this, together with the unfavorable ratios mentioned above, will provide an incentive to raise their lending rates. Incidentally, I understand that a good many banks some time ago determined that 1959 will be for them a "loss year."

Psychological and Technical

Mass psychology has a bearing on the bond market which I can only report; I cannot explain it. I have for a long time felt this would be a field for a student of mass phychology who is looking for a theme for a dissertation. Certainly the antics of the market between October, 1957 and June of the present year should provide a field for study.

You will recall the spirit of speculative enthusiasm which swept the market following the discount rate reduction from 3½% to 3% on Nov. 15. There had been a generally sidewise price movement, with several complete cycles amounting to two points or more, between mid-year and October. In October, before the rate was lowered, this sidewise channel had produced an upside breakout; after the rate was lowered the feeling seemed general that there was no limit.

My own feeling at the time was that speculators had convinced themselves that an ever-easier monetary policy could be relied up for the indefinite future; that they had, because of the Reserve System's responsibility to promote economic recovery, an absolutely sure thing. Many people had heard of "free" reserves only recently, and despite System efforts to discourage so simple a view of policy determinants, felt sure the figure for "free" reserves would go up forever — or, at least, for six months.

This expectation was disappointed. In April my five-week moving average of weekly average free reserves leveled off. It may have been no more than a coincidence that the bond market also touched its high in April.

Speculators as such — refugees from the stock market and other people always alert for the quick dollar on a sure thing—had a part in the movement. But I think there was also involved something more basic.

There are other grounds for believing that the purchase of bonds for income has in recent years become increasingly secondary to the purchase of anything that will show a profit. This is due in part to the tax structure, which makes capital gain much more attractive to large taxpayers than ordinary income.

More recently there has been another puzzling episode in the Treasury bond market, explainable most largely, I believe, on psychological grounds. The sharp price decline from June through August gave way to another sidewise trend—and again, with substantial fluctuations, even larger than those of a year earlier. Many people made speeches about the exaggerated dangers of "inflation"; many statements and articles expressed skepticism about the strength and durability of the economic recovery.

These may have some weight. A spirit of optimism on the future of bond prices grew and spread. One could almost sense a belief that this sidewise movement, like that of a year earlier, also would result in a strong upside breakout and another opportunity for enormous profits. Pointing out the utter dissimilarity of the background circumstances had little effect on those holding this view.

There was recognizable during this period an emergence of an old and well-known propensity to reach for things because they were hard to get. The avidity with which subscribers snapped up the Treasury's $3 billion of tax bills in November, at an average yield of less than 3% compared with a fixed rate of 3¼% in October, suggested a generally held notion that there was going to be a pronounced scarcity of all sorts of useful employment for money.

The increasingly speculative character of the Treasury bond market has graver significance. It may sound almost incredible, but I found this Associated Press item in a newspaper a couple of weeks ago:

"Long-term U. S. Treasury issues were bid as much as 24/32 higher as a declining stock market led investors to take a new look at the speculative potential of Government debt securities."

Queries Shifting of Investments

If that has any meaning, it implies that there is a considerable volume of funds at the command of people who regard stocks and bonds as alternative avenues of speculation; that these funds are at liberty to rush back and forth from one market to the other, exerting their disruptive effects upon each in turn.

Mind you, I have nothing against speculators or speculation — as a matter of fact, in a small way I am in that business myself. I suggest only that these activities must be taken into account in the round. If easy money policies on the part of the Federal Reserve System encourage and support a speculative fall in yields nearly everyone applauds; we should recognize equally, however, that speculation for the decline is no less moral and in no way more censurable.

Many people have professed puzzlement at recent less easy official monetary policy. They cannot see the "inflation" the "Fed" is supposed to be "fighting." I suggest that these funds, able to move back and forth between bonds and stocks, represent a form of redundant liquidity. And certainly a speculation so widespread that it invades even the sober, staid and stable U. S. Government securities market must have its significance. Speculation rising to new heights usually is taken as characteristic of a well-advanced inflationary movement.

What is noticeable, for these or other causes, is that the amplitude and the frequency of swings in bond prices and yields are becoming increasingly great. This is not really new; it began in 1947, when bills and later certificates were released from the war-time rigidities officially imposed upon them; it became still more noticeable after March, 1951. The move from higher to lower yields related to the 1953-54 recession took a full 12 months, from June to June. The corresponding movement in the most recent recession was accomplished in six months—October to April—and covered a bigger range.

This, of course, was not bad—except for those who misjudged it. It may in fact be not too much to say that it contributed an important part to the shortness of the economic downswing and to the vigor of the following recovery. Many bond issues previously postponed because of rates regarded as unfeasibly high were dusted off and promptly brought to market; this had a part, actually, in checking the bull market in bonds. Mortgages became more available, and private housing was restimulated with amazing promptness. This too contributed its part to checking a fall in interest rates of record-breaking steepness.

Future students of the years recently past may find in these increasingly violent movements of bond prices and yields a confirmation of the theory that stability in the economy is purchased at the price of instability in interest rates; that we cannot have both at the same time.

The point I wish to make in this section is that, whatever the reasons, we are having bigger and faster fluctuations in our market, and this, I think, is likely to continue. A forecast on the bond market should not leave this probability out of account.

Summary and Conclusion

(1) Business conditions are improving and I think will continue to improve through 1959. This I assume will imply a steadily rising demand for money and capital.

(2) The Treasury Department has an immense problem of refunding its floating debt, having failed to do much about it during the brief period of falling interest rates. It will be in the market almost every month next year to replace some of its maturing debt.

The Treasury also will be a demander of funds and not a supplier. Despite rising trends of income and profits, and hence of tax revenues, spending still will overbalance outgo. There will therefore be a liberal supply of new-money Treasury issues coming to market.

(3) The Federal Reserve System will not be the generous supplier of reserves to the market that it was during most of this year. It has facilitated a very generous addition to money supply during 1958, and by adding to the economy's liquidity has made its contribution to recovery.

Banks are likely to be sellers of securities as private demand for funds increases. Business corporations will be unable to add to their holdings of short-term securities at the pace of the last six months or so.

(4) Psychological factors are gaining increasing importance in bond and money market movements; they produce wide swings, which are likely to become even wider. There is a bias toward optimism in these markets; a tendency to build up expectations hopeful for a price advance too readily. When these expectations are disappointed, the reactions are severe.

I conclude that interest rates and bond yields for 1959 will follow a generally upward trend, and probably with wide swings around that trend.

Forms Mutual Fund Plans

WASHINGTON, D. C.—Wilfred H. Nerlich is engaging in a securities business from offices at 4000 Cathedral Avenue, N. W., under the firm name of Mutual Fund Plans. Mr. Nerlich was formerly with Jones, Kreeger & Hewitt, Rudd, Kristeller & Co. and Hemphill, Noyes & Co.

Mutual Inv. Services

LITTLE ROCK, Ark. — Mutual Investment Services, Inc., has been formed with offices at 7121 Kingwood Road to engage in a securities business. Officers are Bader F. Busby, President; John C. Cheatham, Vice-President; and Samuel H. Moore, Secy.-Treas.

Thomson & McKinnon To Admit

DAYTONA BEACH, Fla.—John M. Chryst will become a partner in Thomson & McKinnon on Jan. 1. Mr. Chryst is manager of the firm's local office at 125 Broadway.

Joins Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — James H. Sword has become affiliated with Bache & Co., 445 North Roxbury Drive. He was formerly with Dempsey-Tegeler & Co.

With First California

(Special to THE FINANCIAL CHRONICLE)

GLENDALE, Calif. —John W. Akers is now connected with First California Company, 102 North Brand Boulevard.

Hill Richards Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John E. Free has been added to the staff of Hill Richards & Co., 621 South Spring Street, members of the Pacific Coast Stock Exchange.

Joins Baikie, Alcantara

(Special to THE FINANCIAL CHRONICLE)

SANTA CRUZ, Calif.—Parkman Osgood has joined the staff of Baikie & Alcantara, 1517 Pacific Avenue.

Two With E. E. Ballard

(Special to THE FINANCIAL CHRONICLE)

PARK RIDGE, Ill.—Clifford H. Johnson and Warren B. Mickey have become affiliated with Everette E. Ballard, 505 Park Place.

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The State of Trade and Industry

users will add about four million tons to their stocks during the first two quarters of 1959.

If this forecast holds true, the magazine stated, the metalworking industry will find itself with slightly less inventory on July 1, when steel labor contracts expire, than it had at the end of the 1956 steel strike. At that time, steel stocks were estimated at about 18,000,000 tons.

Some steel men even foresee the possibility of short-term shortages if industry tries to rebuild its stocks at a faster pace than expected during the first half of next year and according to one expert, all products made from slabs could tighten quickly. That would include plates, sheets and tinplate. Bars and structurals are less likely to be in short supply, even for temporary periods, concluded "The Iron Age."

The auto industry opened its December marketing with new car buying at a new high level for the year and dealer inventories steadily rising, "Ward's Automotive Reports" stated on Friday last.

The statistical service said dealers delivered 18,400 new cars daily during the period Nov. 21-30, for a 13.6% gain over midmonth that put sales atop the 1958 high of 17,775 recorded at the end of June.

It declared that the blistering show of strength gave entire Novemebr 368,000 sales, promising an upturn to 450,000 or more during December, a new 1958 high. Inventory availability is steadily improving, a stock gain of 130,000 units in November putting the Dec. 1 count near 500,000 units, or some 200,000 below a year ago.

On the manufacturing scene, "Ward's" estimated a 20% rise in car production and a 13% boost in truck output last week. Programmed were 147,490 cars and 23,375 trucks compared to the preceding week's totals of 123,088 and 20,619. Responsible for the increases was a return to normal work patterns following the prior week's Thanksgiving Day holiday. "Ward's" said last week's car production represented the highest figure since the week ending Nov. 23, 1957 when 151,846 units were turned out.

The statistical publication noted that the year's best auto week in 1958 to date came despite strike problems at Chrysler Corp. factories. Only Detroit-area plants in the Chrysler Corp. network expected to get a full week's assembly were the Chrysler Jefferson Ave. unit and the Imperial facility in Dearborn. The result was a 14% fall-off in corporation car production.

Elsewhere activity was booming. General Motors scheduled a 25% boost in automobile building, Ford Motor Co. a 21% hike, American Motors a 27% increase and Studebaker-Packard a more than 200% rise. Studebaker-Packard had worked only two days the week before prior to settling its contract with the United Automobile Workers on Nov. 27.

Still the main disturbance on the truck front, declared "Ward's," was a strike at International Harvester, which entered its fourth week on Thursday of last week.

The valuation of building permits issued in 217 cities including New York rose to a new high for the month of October, Dun & Bradstreet, Inc., reports. The total was $632,860,417, up 8.1% over the $585,361,293 of the prior month and 26.2% higher than the $501,327,013 of October 1957.

New York City permits for the four Boroughs in October climbed 35.7% to $72,525,390 over the $53,445,172 of September and exceeded the $34,983,647 of October a year ago by 107.3%.

Steel Production Scheduled This Week to Rise Fractionally to 74.7% of Ingot Capacity

Metalworking sales this year will total just under $120,000,000,000, off about 15% from the 1957 record of $140,000,000,000, "Steel" magazine reported on Monday of this week.

Plants which make metals or metal products are now in transition from a period of economic hesitation to a new era of prosperity, this trade paper noted. Observers expect 1959 to be a better year than 1958.

Steelmaking looks for an upturn in early 1959 when automakers will know how new models are going over. If sales reports are bullish, they will need more steel. Flat-rolled inventories will probably go from the current 23-day level to 30 days. Other users of steel are also rebuilding their inventories which means more business for the mills.

Metalworking should win 4% more government work in 1959 than in 1958, this trade weekly added. Transportation equipment and machinery producers expect the largest gains. Total defense volume will probably be $41,000,000,000 in fiscal 1959 and go up 2.4% to over $42,000,000,000 in 1960.

Key automotive suppliers think their business with motordom will be 20% higher next year. Producers of aluminum parts expect even better gains. Automakers received their first really good report on the 1959 models last week, "Steel" declared. Sales for the middle third of November consisting of nine selling days totaled 146,000 new cars. The daily average of 16,200 cars was 38% higher than that of the first third of the month or 11,740 cars. Some industry spokesmen still look for 1959 to be a 5,500,000 car year with extreme estimates reaching 6,800,000.

But all is not rosy for independent tool and die shops in the Detroit area, according to this trade weekly. An average of two shops per week go out of business. Jobbers have watched tooling contracts go to integrated captive shops; then out of state as automakers decentralized and finally overseas. New threats are the switch to interchangeable body components with less tooling needed and interest in plastic tooling.

As Great Britain pulls out of its recession, the United States can expect greater metalworking sales competition, the magazine observed. More British cars are expected to pour into the United States and more British machinery will compete with that of United States, particularly in South America and Japan.

Steelmaking operations last week rose half a point to 74.5% of capacity. Production was about 2,011,000 net tons of steel. District rates follow: Detroit at 100% of capacity, down 1.5 points; St. Louis at 89, down 3.5 points; Chicago at 85.5, up 0.5 point; Cincinnati at 81.5, down 3.5 points; Western district at 80, up 1 point; Wheeling at 78, down 5 points; Cleveland at 73.5, up 2 points; Eastern district at 71, no change; Pittsburgh at 70, up 3.5 points; Buffalo at 66, down 2.5 points; Birmingham at 62.5, up 2 points and Youngstown at 60, up 1 point.

"Steel's" price composite on the prime grades of scrap slipped 66 cents to $39.67 a gross ton with consumer buying support still lacking.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *125.4% of steel capacity for the week beginning Dec. 8, 1958, equivalent to 2,015,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *123.6% of capacity, and 1,985,000 tons a week ago.

Output for the week beginning Dec. 8, 1958 is equal to about 74.7% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 73.5% 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 1,770,000 tons or 110.2%.

*Index of production is based on average weekly production for 1947-1949.

Electric Output Hit All-Time High Record in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 6, 1958 was estimated at 13,017,000,000 kwh., according to the Edison Electric Institute. Output last week reached an all-time high record. The previous all-time high was recorded in the week ended Aug. 16, 1958 at 12,851,000,000 kwh.

For the week ended Dec. 6, 1958 output increased by 743,000,000 kwh. above that of the previous week and by 702,000,000 kwh. above that of the comparable 1957 week and by 970,000,000 kwh. above that of the week ended Dec. 8, 1956.

Car Loadings Fell 12.9% in Holiday Week Ended Nov. 29

Loadings of revenue freight in the Thanksgiving holiday week ended Nov. 29, 1958 were 80,159 cars or 12.9% below the preceding week.

Loadings for the week ended Nov. 29, 1958 totaled 539,191 cars, a decrease of 14,531 cars, or 2.6% under the corresponding 1957 week, and a decrease of 212,955 cars, or 28.3% below the corresponding week in 1956.

Car Output Rose by 20% and Truck Assemblies by 13% in Week Ended Dec. 5

Passenger car production for the week ended Dec. 5, 1958, according to "Ward's Automotive Reports," increased by 20% and truck assemblies by 13% following end of strikes at Studebaker-Packard and International Harvester.

Last week's car output totaled 147,490 units and compared with 123,088 (revised) in the previous week. The past week's production total of cars and trucks amounted to 170,865 units, or an increase of 27,158 units above that of the previous week's output, states "Ward's."

Last week's car output rose above that of the previous week by 24,402 units, while truck output advanced by 2,756 vehicles during the week. In the corresponding week last year 139,597 cars and 22,636 trucks were assembled.

Last week the agency reported there were 23,375 trucks made in the United States. This compared with 20,619 in the previous week and 22,636 a year ago.

Lumber Shipments Rose 7.8% Above Output in the Holiday Week Ended Nov. 29, 1958

Lumber shipments of 467 reporting mills in the week ended Nov. 29, 1958 were 7.8% above production, according to the "National Lumber Trade Barometer." In the same period new orders were 9.2% above production. Unfilled orders amounted to 33% of stocks. Production was 20.2% below; shipments 4.1% below and new orders were 2.3% below the previous week and 9.6% above the like week in 1957.

Business Failures Rose Moderately to Four-Week High in Latest Week

Commercial and industrial failures rebounded to 294 in the week ended Dec. 4 from 244 in the preceding holiday week, Dun & Bradstreet, Inc., reports. At the highest level in four weeks, casualties exceeded slightly the 287 which occurred a year ago and the 270 in 1956. However, the number of failing concerns dipped 1% below the prewar total of 297 in the similar week of 1939.

Most of the increase was concentrated among casualties involving liabilities of $5,000 or more which climbed to 254 from 210 in the previous week and compared with 252 last year. Small failures under $5,000, edged up to 40 from 34 a week ago and 35 in 1957. Twenty-eight businesses succumbed with liabilities in excess of $100,000 as against 25 in the preceding week.

Retailing accounted principally for the week's upturn, rising to 155 from 111. Slight increases prevailed in wholesaling, up to 28 from 23, in construction, up to 48 from 39 and in commercial service, up to 23 from 21. In contrast, the toll among manufacturers dropped to 40 from 50 a week ago and also fell short of their level a year ago. In the trade and construction groups, mortality remained above last year, while service casualties held steady with 1957.

Geographically, a week-to-week rise was reported in five regions. The toll in the Pacific States climbed noticeably to 74 from 55, in the South Atlantic to 33 from 13, in the East North Central to 47 from 32, while a milder increase lifted the Middle Atlantic toll to 95 from 86. Compared with last year, three regions suffered heavier casualties: the South Atlantic, West South Central and Pacific States. Dips from 1957 prevailed in four regions and no change occurred in two.

Wholesale Food Price Index Fell Below Year Ago for First Time in 1958

The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell below that of the comparable period last year for

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the first time in 1958. On Dec. 2 the index declined 0.6% to $6.39 from $6.43 a week earlier, and was down 0.5% from the $6.42 of the similar date last year.

Up in wholesale price the past week were wheat, corn, rye, oats, bellies, sugar and milk. Lower in cost were flour, barley, beef, hams, lard, cocoa, eggs, potatoes and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Falls Moderately the Past Week

Lower prices of most grains, lard, hogs, rubber and steel scrap held the general commodity price level below that of the prior week. The daily wholesale commodity price index fell to 275.64 on Dec. 1 from 276.48 a week earlier and compared with 276.94 on the comparable date a year ago.

Increased supplies and slow trading resulted in a moderate decline in corn prices during the week. Wheat buying was sluggish and prices dipped somewhat. Purchases of rye and oats matched those of the prior week, but prices were down fractionally. Stocks of soybeans moved up appreciably and prices weakened. Soybean trading was close to that of the preceding week.

Although flour trading slackened at the end of the week, prices were steady. A pick-up in flour exports to Venezuela is anticipated in the coming weeks. Domestic orders for rice were steady and import demand moved up during the week holding prices at prior week levels.

There was a noticeable decline in cocoa trading and prices fell moderately. Sugar buying was unchanged, but prices moved up somewhat. Weekly sugar deliveries to Nov. 22 were 159,401 short tons raw value compared with 144,737 in the prior week and 154,272 a year ago. Coffee transactions sagged at the beginning of the week, but picked up at the end of the period. Coffee prices finished fractionally below those of a week earlier.

Wholesalers reported a slight decline in hog prices as buying slackened. Hog supplies were close to those of the prior week. Although cattle receipts in Chicago expanded appreciably and prices were steady, the buying of steers climbed moderately during the week. Lamb trading was sluggish, but prices were unchanged from the prior week. Turnover in lard dipped somewhat and prices were down fractionally.

Although cotton prices moved up at the start of the week, they fell noticeably at the end of the period and finished below the prior week. Trading was somewhat discouraged by the prospects for a substantial increase in domestic cotton plantings next year. United States exports of cotton for the week ended on Nov. 25 amounted to about 87,000 bales, according to the New York Cotton Exchange Service Bureau. This compared with 58,000 a week earlier and 145,000 in the comparable period a year ago.

Trade Volume Last Week Approached Level of a Year Ago

Although the usual post-Thanksgiving rise in consumer buying occurred last week, total retail trade remained close to that of a year ago. While there were gains over last year in sales of women's apparel, gifts and floor coverings, volume in men's apparel, toys and major appliances was down somewhat. The buying of new passenger cars rose substantially, but sales remained slightly below those of the similar 1957 week, according to scattered reports.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 2% below to 2% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc. showed. Regional estimates varied from the comparable 1957 levels by the following percentages: Pacific Coast States +2 to +6; West North Central +1 to +5; Mountain 0 to +4; South Atlantic and East South Central —1 to +3; Middle Atlantic —2 to +2; New England, East North Central and West South Central States —4 to 0%.

Best-sellers in women's apparel were fashion accessories, especially handbags, jewelry and gloves. Volume in women's cloth coats, sportswear and dresses slightly exceeded a year ago, while interest in suits was down somewhat. Despite slight gains in sales of men's furnishings and hats, declines in suits and topcoats held total sales of men's apparel slightly below last year. Interest in children's clothing was close to that of the similar 1957 period.

There was a substantial rise during the week in the buying of gifts, silverware and glassware and sales exceeded those of last year. Increased purchases of occasional tables and dinette sets boosted total furniture volume noticeably over the prior week. Sales were close to those of a year ago. Although there were slight year-to-year gains in lighting fixtures and lamps, the call for television sets and laundry equipment was down somewhat.

Purchases of food slackened the past week following a high level of sales in the prior Thanksgiving week, but volume remained slightly over a year ago. Best-sellers were frozen foods, fresh produce and dairy products.

There was a marked rise in last minute re-orders for women's Christmas merchandise during the week, particularly fashion accessories, blouses, sportswear and dresses. Bookings in women's spring suits, coats and dresses fell somewhat from the prior week. A slight increase in the call for men's furnishings occurred, while volume in suits and topcoats held unchanged. Wholesalers reported a moderate rise in the buying of girls' sweaters and skirts and boys' sports shirts and slacks.

Orders for juvenile furniture expanded moderately last week with volume close to that of a year ago. Interest in upholstered chairs, dinette sets and occasional tables matched that of a week earlier. Buyers stepped up their purchase of gifts, linens, glassware and floor coverings during the week, but interest in draperies and kitchen utensils slackened. Appliance wholesalers reported substantial gains in the call for television sets and lighting equipment, but volume in most other appliances was sluggish.

Trading in cotton gray goods, especially print cloths and sateens, rose noticeably the past week. Stocks in many markets were light. There was another substantial gain in transactions in industrial fabrics and man-made fibers. While interest in carpet wool expanded appreciably in Philadelphia and Boston, bookings in woolens and worsteds remained at prior week levels.

Grocers moderately increased their buying of canned goods a week ago. Sales exceeded those of a year ago and interest in frozen foods, dairy products, baked goods and fresh meat moved up, while the call for fresh meat, flour and sugar dipped somewhat below the prior week.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 29, 1958 advanced 1% above the like period last year. In the preceding week, Nov. 22, 1958 an increase of 2% was reported. For the four weeks ended Nov. 29, 1958 a gain of 2% was registered. For the period Jan. 1, 1958 to Nov. 29, 1958 no change was recorded from that of the 1957 period.

Retail trade sales volume in New York City the past week enjoyed good gains as the Christmas buying season got off to a good start.

Gains for the week, according to estimates by trade observers, ranged to at least 10% above the like period of 1957.

According to the Federal Reserve Board's index, department store sales in New York City for the week ended Nov. 29, 1958 showed no change from that of the like period last year. In the preceding week, Nov. 22, 1958 a decrease of 1% was reported. For the four weeks ended Nov. 29, 1958 no change was noted. For the period Jan. 1, 1958 to Nov. 29, 1958 an increase of 2% was registered above that of the corresponding period in 1957.

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The SEC and Small Business Investment Companies

new legislation is the formation of a Small Business Investment Company, under state or Federal charter. The capital of this investment company will be initially derived in part from the Small Business Administration and in part by the sale of stock to sponsors. These sponsors may be of two kinds. They may be governmental in character, such as state or a regional organization, in which event the Securities and Exchange Commission has no immediate interest, at least insofar as the initial sale of the securities of the Investment company are concerned. On the other hand, it is contemplated that some, at least, of these concerns will be financed, aside from the SBA participation, through the sale of their securities to a segment of the general public. It is at this point that the Securities and Exchange Commission begins to be interested.

At the outset, I should mention that, after considering and weighing the many problems involved in affording assistance to small business and at the same time preserving adequate protection to the investing public, the Congress determined that any plan of assistance to small business which would involve public investment must be bottomed upon the time-tested maxim that confidence can only be achieved and damage to the public avoided by adherence to elementary standards of open and complete disclosure and of fair dealing between the parties. To this end it was determined these new small business investment companies would be subject to the applicable provisions of the Securities Acts. It is only in a very few necessary connections that Congress made specific exemptive provisions, and generally the Commission is left with discretion to establish exemptions where and to the extent necessary.

The Small Business Investment Act contemplates that the small business concerns which are in need of new capital on a long-term basis and cannot obtain it otherwise on reasonable terms, may apply for such monies to an investment company formed under the Act. Assuming all else to be favorable, such a small business will then issue and sell to the investment company its convertible debentures in the required amount. The Act also contemplates that the small business concern will invest nominally in the equity securities of the investment company. This feature may involve some technical points under the Securities Acts, but this can be ignored for the moment. In due course, if the subsequent activities of the small business prove to be profitable, the investment company may liquidate its holdings of the securities of the small business either by sale of the debentures or by conversion and sale of the underlying stock, in either case at private or public sale, or, of course, by redemption.

Since this process which I have rather summarily described involves the issuance and sale of corporate securities, it is perfectly obvious that it also involves consideration of the jurisdiction of the Securities and Exchange Commission, which broadly covers activities concerning such access to the capital market. It is necessary, in order to consider how this scheme may be affected by the various Acts which are administered by the SEC, first to consider how much of this program has been left to our jurisdiction by the Congress under the 1958 Act, and in what respects the law calls upon the investment company or its borrower, to note the jurisdiction of the SEC, and what measures this agency has in mind to adopt in order to make sure that this legislation will accomplish its stated purpose without running counter to the purposes expressed in the *nexus* of statutes we administer.

These small business investment companies will be chiefly concerned with two of the Securities Acts. The first of these is the Securities Act of 1933, which was enacted to protect investors and the public in connection with the offering and sale of securities by processes designed to insure full disclosure of all relevant facts. The other is the Investment Company Act of 1940, which is a regulatory statute prescribing standards in the interests of investors and the public to govern certain of the activities of companies engaged in the business of investing in securities.

Reviews SEC's General Responsibilities

Before I address myself specifically to small business investment companies, it may be appropriate to consider generally the responsibilities of the Commission in the area of public financing. In the administration of the powers and responsibilities vested in it by these statutes, the Commission is guided by two more or less overlapping standards, that of the public interest and that of the protection of investors. I say two standards, since the term "public interest" includes more than concern for the protection of investors as such. It requires the Commission to look beyond these immediate interests and to take into consideration the welfare of the economy as a whole. Thus, while it is looking to the protection of prospective investors in dealing with small business investment companies, it must be careful not to erect such burdensome requirements as to hamper the raising of capital needed by these companies to perform their function of providing funds for small businesses.

The Securities Act of 1933 has two basic objectives; one is to provide investors with information concerning securities offered for public sale and the other is to prevent misrepresentations and fraud in the sale of securities. The Act applies to the offering and sale of all types of securities not only by the issuer but also by any person in a control relationship with the issuer, and it is concerned with all types of securities, not only stocks and bonds, but also debentures, notes, evidences of indebtedness, investment contracts, voting trust certificates, certain oil and gas interests and, in general, any interest or instrument commonly known as a security, as well as some not so easily recognized as such. It seeks to accomplish its objectives primarily by requiring the registration with the Commission of all securities offered or sold by use of the mails or other instruments of transportation or communication in interstate commerce. There are, however, certain exemptions from registration, some of which are set forth in the statute while others are outlined in the Rules and Regulations of the Commission adopted pursuant to statutory authority.

Registration under the 1933 Act is the process whereby a registration statement is filed with the Commission and after a lapse of time becomes effective. The principal component of a registration statement is a prospectus which describes the issuer, its business and management and the proposed offering and furnishes certain financial and other information necessary to an informed investment appraisal of the offering. The registration statement must be signed by the issuer, a majority of the directors and certain of its officers and agents. Each such signature to a registration statement subjects each such person and his attorney and accountant to strict liability for material omissions or misstatements. Securities may not be offered for sale before the statement is filed and they may not be actually sold before it becomes effective, which is usually about three weeks after filing. The staff of the Commission reviews the registration statement when it is filed and any inadequacies or omissions are normally brought to the attention of the issuer for correction. Each purchaser of the security so offered must be furnished with a copy of the prospectus at or before the time of purchase.

The Commission has adopted certain forms for use in registering securities under the Act, adapted to the circumstances of the particular securities to be registered. The Commission has prepared and has invited public comments on a proposed additional form (Form N-5) designed for use by small business investment companies. When the comments have been reviewed and considered, the form will be adopted by the Commission, which action will be announced in a public release.

I would not mislead you into believing that the registration of securities under the Securities Act is a perfunctory matter nor can I truthfully say that in the usual situation it is a simple or easy task. Registration necessitates the careful assembling and preparation of the material required to be contained in the registration statement and requires the draftsmen and signatories to make detailed disclosures of all pertinent facts concerning the proposed offering. This is an area in which the aphorism that "what you don't know won't hurt you" definitely does not apply. If you don't know, you must find out. The penalties are severe for false, misleading or incomplete statements.

As I have indicated above, the Securities Act provides in Section 3 and 4 for a number of exemptions applicable to certain types of securities, to securities issued under certain circumstances and to certain transactions in securities. Most of these exemptions are not pertinent to our discussion. They cover, for example, Federal and municipal securities, securities of certain cooperatives and railroad and certain other common carriers, certain exchange transactions, etc. Another exemption, commonly referred to as the "intrastate exemption" and described in Section 3(a)(11) of the Act, is not available for the securities of a registered investment company, and we may forget it for our present purposes. There are, however, two exemptions which do seem to be pertinent here, and which may make registration unnecessary under some circumstances.

Private Offerings

The exemption which would probably account for the vast bulk of the exempt financing of Small Business Investment Companies is found in Section 4(1) of the Act which exempts, among other things, "transactions by an issuer not involving any public offering." It should be noted that this is not an exemption of the security as such but is an exemption of a limited type of transaction in securities, and the full provisions of the Act apply to subsequent transactions in the same security. In common parlance, the language of the section has been turned around so that, instead of referring to transactions not involving any public offering, reference is usually made to "private transactions" or "private offerings."

The question whether a public offering is involved in any particular case is not easy to answer. It is a question of fact in the resolution of which all of the surrounding circumstances must be considered. It cannot be answered solely upon the basis either of the number or class of persons to whom the securities are offered or the number of persons with whom sales transactions are concluded. We have been told by the courts that the number of persons to whom the security is offered is not determinative and that in fact an offering to a limited number may be a public offering. However, it is still true that the scope of the offering is one of the factors to be considered. This includes not only persons to whom an express offering is made but any person to whom an "offer" in the statutory sense is made, including any attempt of any kind to dispose of a security. Preliminary conversations and the solicitation of offers to buy or even of indications of interest are thus within the meaning of the term.

The relationship of the offerees to the issuer is significant in determining whether or not an exemption is available under Section 4(1). An offering to a class of persons who are intimately familiar with the business and affairs of the issuer is less likely to involve a public offering than one made to persons having no special knowledge in this respect. The Supreme Court, in *SEC v. Ralston-Purina Co.*,[1] stated that the availability of the exemption depends upon whether the particular persons affected need the protection of the Act. The Court stated that "an offering to those who are shown to be able to fend for themselves is a transaction 'not involving any public offering' "; that the "exemption question turns on the knowledge of the offerees . . ."; and that "The focus of inquiry should be on the need of the offerees for the protection afforded by registration." The effect of this decision is to limit the applicability of the exemption to an offering to persons who have such knowledge of the business and affairs of the issuer as would be substantially comparable to that which would be provided by the registration statement.

Private Placement Exemption

Another factor which must be considered in determining whether a given issue is entitled to an exemption as a private issue is the size of the offering and the number of units offered. Frequently, a large issuer will place a sizable issue of debt securities with a comparatively few institutional investors. Because of the ability of such institutions to insist upon and to receive information even more extensive than that usually provided in a prospectus and their ability to negotiate the transaction on equal terms, such private placements, as they are called, can be effected within the limitations of the exemption provided by Section 4(1). I rather doubt that this situation will be met in the usual placement under the 1958 Small Business Investment Act, but it should be noted that the purchase of convertible debentures of the small business enterprise by the Investment Company would be exempt from our jurisdiction under this exemption. Note, however, that such treatment would not be available in the case of a sale of such securities by the Small Business Investment Company, as to which transaction there would either have to be a registration or else some other exemption would have to be found to be available.

On the other hand, the placing of an issue of stock consisting of a large number of units with a relatively small group under circumstances which indicate probable reoffering and resale in whole or in part to a larger group would suggest the unavailability of the exemption under Section 4(1). In such a case, the initial purchasers would be underwriters as the term is defined in Section 2(11) of the Act because they would have "purchased from an issuer with a view to . . . the distribution of any security," and therefore no exemption would be available under Section 4(1), either for such persons or for the issuer. To meet this problem, an issuer will usually require the purchasers in a private offering to furnish a written representation that they are taking the securities for investment and not for the purpose of distribution. This precaution is a salutary one since it causes both parties to the transaction to give thought to the intentions of the purchaser. However, such a representation should be a serious one and not given perfunctorily to set the basis for a formal claim to exemption, since the mere presence of such a representation is not conclusive. The surrounding facts and circumstances may be such as still to raise a question as to the actual intention of the purchaser. This is illustrated by the question reasonably arising when a person who is in the business of buying and selling securities represents that he is acquiring securities of an issuer for investment and not for resale.

$300,000 Limitation

In addition to the exemptions contained in the statute, which require no filing with or action by the Commission, Section 3(b) of the 1933 Act gives the Commission discretion to adopt rules and regulations exempting the offering of securities not in excess of $300,000 upon such terms and conditions as the Commission may prescribe. The principal exemption which has been adopted under Section 3(b) and is currently of interest to small business is that provided by Regulation A. The availability of Regulation A is subject to certain terms and conditions which include the making of a filing with the Commission and the use of an offering circular containing certain specified information. While it is necessary to keep this exemption in mind, since it may be useful if the position of the Investment Company is liquidated by sale, it is not strictly pertinent to our present inquiry, since it is not available for securities of small business investment companies registered under the Investment Company Act of 1940.

At the same time that the Congress enacted the Small Business Investment Act of 1958, it inserted a new Section 3(c) in the Securities Act of 1933 authorizing the Commission to adopt rules and regulations exempting, upon appropriate terms and conditions, the offering of securities by investment companies licensed under the Small Business Investment Act. Acting pursuant to this new authority, the Commission has invited public comments on a proposed new Regulation E which is similar in many respects to Regulation A and which would exempt from registration under the Securities Act such issues in an amount not in excess of $300,000.

The proposed exemption under Regulation E is not automatic, but is available only upon compliance with certain terms and conditions and subject to certain limitations. The exemption would not be available, for example, to an issuer if either it or its directors, officers, promoters or underwriters are subject to certain administrative orders, or have been convicted of or enjoined against certain misconduct. It should be noted, however, that the issuer in such case would not be barred from filing a registration statement covering the securities to be offered in the form I have previously discussed.

Notification and Offering Circular

The first step toward meeting the terms of Regulation E would be for the issuer to prepare and file with the Commission what is called a "notification." This document is prepared in accordance with a relatively simple prescribed form and must set forth certain specified information in order that the Commission may determine whether or the extent to which the exemption is available. In order to assist in our review, the notification must be accompanied by certain exhibits, such as the underwriting contract, if any, and the consent of the underwriter to be named as such.

Regulation E would require that an offering circular be used in connection with the sale of the securities offered thereunder except in certain cases involving offering of less than $50,000. With the exception of brief advertisements, the offering circular is the first written sales material which may be presented to the investor in connection with the offering of the security. It must, in any event, be in the hands of the investor not later than the date of confirmation of the sale and prior to the payment of the purchase price of the security. The idea of requiring the use of an offering circular was one taken over from Regulation A. The requirement that an offering circular be used under Regulation A was adopted in large measure at the suggestion of the securities industry. It was felt that as a protection to those engaged in the investment business, as well as to the investing public, certain basic information should be furnished to each person to whom the securities are offered and that such material should be subject to the Commission's examination. This did not appear to impose any particular hardship because in most cases the honest issuer and underwriter would, in any event, prepare and use some form of offering letter or circular. Our experience has demonstrated the wisdom of this requirement and we believe that it is equally applicable, and for similar reasons, in the case of small business investment companies.

In the absence of specific requirements governing the content of such offering documents, issuers not sophisticated in the ways of the securities markets might be at a loss to know precisely what information we conceive ought to be included in the offering circular in the interest of fair disclosure. Consequently, the requirements as to the contents of an offering circular are set forth in a schedule attached to the proposed Regulation E. We believe that these requirements are limited to what would be regarded as the essential facts concerning the company and the securities to be offered.

The preparation of the notification and offering circular should not be much of a burden. The information required and described in the rule and the schedule is fundamental and is readily available to the company desiring to use the regulation and in fact will have to be submitted to the Small Business Administration. I believe that the procedure under the proposed Regulation E is as simple as it can be in view of the paramount necessity for protecting the American investor. The regulation itself, at first reading, seems rather formidable, but it should not be difficult to understand after a modicum of study. We are open, as always, to suggestions for improvement, but I must confess that we are presently satisfied that the proposed procedure involves the minimum of disclosure which the investor could reasonably expect under the Securities Act.

Filing in Washington, D. C. Office Only

Filings under the new regulation will be made in the principal office of the Commission in Washington. This is necessary in order that such filings be reviewed and correlated with necessary filings by small business investment companies under the Investment Company Act of 1940. I will come to this latter subject in a moment. Moreover, filing in the principal office will facilitate the maintenance of a close liaison with the Small Business Administration which has the primary responsibility of administering the Small Business Investment Act of 1958.

The Commission has nine regional offices and eight branch offices in strategically located cities throughout the country. Each such office has a staff of attorneys and accountants who are available to discuss an issuer's problems with its representatives prior to filing and to give such assistance as their workload permits in answering specific questions concerning compliance with the regulation, although I must add that our staff is not in position to participate in the actual drafting of papers. I am certain that free resort to this advice will help to prevent inadvertent as well as somewhat technical violations of law with all the headaches and expense involved.

Perhaps I should utter what is doubtless an unnecessary word of caution at this point. The requirements under the Securities Acts are in addition to, and in no wise in lieu of the requirements of the laws of the respective states. Many states have blue-sky laws under which a state administrator is usually empowered to specify the terms and conditions under which securities may be sold in that state. An issuer must smoke the pipe of peace with the appropriate state authorities as well as with the Commission before he may offer securities to the public.

Asset Coverage of Indebtedness

As I have already noted, in enacting the Small Business Investment Act of 1958, Congress determined that small business investment companies authorized by that Act should also, in appropriate cases, be subject to the provisions of the Investment Company Act of 1940. An exception was made in connection with Section 18(a) of the 1940 Act which makes inapplicable to these particular investment companies the provision generally applicable that the indebtedness of an investment company shall have an asset coverage of at least 300% upon issuance. An exemption was also provided from the statutory prohibition against the declaration of dividends or other distributions on capital stock unless certain asset coverages on indebtedness publicly distributed are maintained. In administering this phase of the new legislation, then, the Small Business Administration will have the responsibility of seeing that sound capital structures are maintained consistent with the purposes of its enabling act. In other respects, the Securities and Exchange Commission is required to exercise its duties and responsibilities under the Investment Company Act.

Exempt Investment Companies

Those companies operating to make capital available to small business under the Small Business Investment Act and which are to issue securities to the public will undoubtedly in the usual case be investment companies as defined in the Investment Company Act and thus subject to SEC jurisdiction. One important exception to this general statement is, however, specifically set out in Section 3(c) of the Investment Company Act, under which an investment company is excepted from regulation under the 1940 Act if its own outstanding securities are beneficially owned by not more than 100 persons *and* if it is not engaged in making or proposing to make a public offering of its securities. You will note that both these elements must be present, so that if a public offering is involved or proposed or if the company has more than 100 security holders, registration under the Investment Company Act would be required. In calculating the number of such holders of the investment company securities, the beneficial holders of the securities of any company which owns 10% or more of the voting securities of the investment company must be counted individually. A considerable number of the small business investment companies will doubtless be financed privately by a limited group of persons, thus bringing them within this exception. I have already discussed some of the factors which are of consequence in reaching a determination whether a public offering is involved under the 1933 Act. It would seem that the same considerations are pertinent here.

Small business investment companies for which Section 3(c) of the Investment Company Act will provide no exemption will be required to register with the SEC. Such registration is a separate process from the registration provided for under the Securities Act. This mechanism was originally designed to fit the usual investment company situation in the light of which the 1940 Act was written and has so far been administered. We appreciate the desirability of simplifying this procedure in the case of small business investment companies,

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[1] 346 U. S. 19 (1953).

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The SEC and Small Business Investment Companies

however, and the proposed Form N-5 to which I referred earlier and which has been circulated for comment is designed to cover registration under both the Securities Act and the Investment Company Act. If this form is eventually adopted by the Commission, therefore, it will serve to comply with both statutes, and one filing is all that will be called for.

The Commission is most concerned with and sympathetic to necessary measures to aid small business in its efforts to raise capital. However, we feel that this should be done with due regard to investors who are expected to help finance these investment companies, and consistently with the intent of Congress in enacting the 1940 Act. The type of program contemplated by the Small Business Investment Act appropriately lends itself to cooperative regulation by the two agencies of the Government concerned, each operating in its own sphere of expertise. In this pattern of regulation, the Securities and Exchange Commission would exercise its duties and responsibilities, with its primary interest in the protection of the public security holder. The Small Business Administration would presumably direct its activities to assuring that these proposed investment companies will appropriately channel the resources available to them to meet the capital requirements of the small business concerns with whose needs the Small Business Investment Act is primarily concerned.

Denies There Are Burdensome Obstacles

Neither the Investment Company Act nor, indeed, the other statutes administered by the Commission, ought to be viewed as burdensome obstacles placed in the path of corporations which must raise money from the public. On the contrary, we believe that the standards of conduct imposed by the fabric of the statutes which we administer will be of great assistance in contributing to the successful operation of small business investment companies having a public interest. To the extent that investors are provided with the safeguards granted by this legislation, a more favorable climate for the flow of capital in this area can be expected.

The objectives of the Investment Company Act here are to secure honest and unbiased management of other people's money; to give security holders a substantial voice in determining the company's policies and in the selection of management; to insure adequate and feasible capital structures; and to see that the shareholders are provided with informative periodic financial reports. The Act is long and involved, not only because it is quite detailed and specific in its requirements but also because it covers many different situations and considerations, many of which bear no relation to the Small Business Investment Companies, such as the activities of open and mutual funds, the problems involved in connection with face-amount certificate companies and periodic payment plan companies, and so on.

Cites Important Directives

Although it would be unnecessary here to go into a detailed analysis of the many directives contained in the statutes and rules governing investment companies, there are some of these provisions which ought to be kept in mind. First, the Investment Company Act requires that, before a public offering of investment company securities may be made or completed, an initial 100,000 in net worth must be raised privately or from not more than 25 persons as part of a public offering, in accordance with certain specified procedures. Furthermore, the Act prohibits investment companies from changing the nature of their business or investment policies without the approval of the stockholders; bars persons guilty of security frauds from serving as officers and directors; prevents underwriters, investment bankers or brokers from constituting more than a minority of the directors of such companies; prohibits transactions between such companies and their directors, officers or affiliated companies or persons, except upon approval by the Commission; and prohibits pyramiding of such companies or cross-ownership of their securities.

These prohibitions and affirmative requirements are based upon extremely careful studies of the industry and are designed to achieve the general statutory aim of investor protection. That they have succeeded in the purpose of establishing public confidence in the investment company industry is perhaps best demonstrated by the pragmatic results. From the first year of the operation of this legislation in 1941, to the present the dollar value of investments in these concerns has grown from $2½ billion to $16 billion, and the number of individual investors has increased manyfold.

It is our intention to mold the activities of the SEC under the Small Business Investment Act as nearly as possible to the purposes and aims of this legislation while at the same time preserving the integrity of the salutary provisions of the Act which we administer. As I mentioned, our staff is working with the Small Business Administration to conform the pertinent rules, regulations and forms under the Securities Act for small business investment companies with those which will apply to such companies under the Investment Company Act and with the requirements of the Small Business Administration.

Trust Indenture Act of 1939

I think that I should also mention at this point the possible effect of the Trust Indenture Act of 1939, which complements the Securities Act and, generally speaking, requires public offerings of debt securities to be issued under a qualified indenture. I mention this, because the debentures to be issued to the Small Business Investment Company would normally be put out under a corporate indenture, there being an implicit understanding as I have previously pointed out that such securities may eventually be distributed to public holders. This caveat may be rather academic in practice, however, since the Trust Indenture Act exempts issues of less than $1 million, and the other limitations of the Small Business Investment Act make it unlikely that a single investment under that Act will normally reach such a figure. For qualification under the Trust Indenture Act, certain required protective provisions must be included in the indenture, and there must be a disinterested trustee. The Small Business Investment Act of 1958 adds a new provision to the Trust Indenture Act, which authorizes the Commission to exempt, without limitation as to amount, any class of securities issued by a small business investment company, subject to such terms and conditions as may be prescribed. Our staff is also giving consideration to the need for, and possible extent of, an exemptive regulation under this authority.

I would like to point out that, what with the exemptive powers granted by the new Section 3(c) of the Securities Act of 1933, by Section 6(c) of the Investment Company Act and by the new provisions of the Trust Indenture Act, the SEC is given authority to apply with very great elasticity its regulation in the field opened up by the Small Business Investment Act. I have no doubts whatever but that the Small Business Administration and the Securities and Exchange Commission, working together, will be able to lay out a clear, simple and safe course for these new enterprises to follow with the minimum of governmental interference consistent with the general public and investor interest. This is a completely new field and there is plenty of room to maneuver. However, our eventual aim is clear, and with the help of industry and the bar, I have no doubt of our success.

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The National Economic Picture

the same period, the average hourly earnings plus fringe benefits rose 211%—resulting in an increase in unit labor cost during that period of 89%. When wage increases exceed the increase in productivity something has to give and it is usually the price to the consumer of the goods produced. Our rosy prospects for the future are certainly going to be retarded if our dream child products are priced out of the market.

This brings to mind the old story of the lion who walked into a New York bar and asked for a drink of Scotch. The bartender charged him $1.50 for the shot and when he was giving the lion his change, he said, "You know I have never seen a lion in this bar before," and the lion replied "At these prices you'll probably never see another one."

Continuing fight against the forces of inflation will not be an easy one but I trust it is one which we can all participate in waging with a reasonable measure of success. It is a fight which every individual can share in by continued adherence to the principles of saving and sound investment. Ours is a capitalistic economy and for its continued expansion must be an economy of savers and investors who can provide the capital to foster invention, research and development and provide the plant, equipment and tools for industrial growth.

As you may know, the average investment made by our largest manufacturing companies is about $20,000 per employee; for railroads the figure is $32,000 and for utilities $38,000. While the greater proportion of the funds needed to make this capital investment has been obtained by corporations from retained earnings and reserves for depreciation, an increasingly larger part of such funds must come in future years from the savings of individuals.

More Stock Owners Needed

I noted before that the Institute of Life Insurance had found that individuals in the United States have assets of at least "a trillion dollars." Of this figure $250 billion are held in common stock investments by individual shareholders. These individual shareholders are not, as in the old days, a few of the elite in the financial centers of the country, but represent some nine million people in almost every earnings level spread through almost every town throughout the United States. To this growing body of savers and investors and their predecessors must go a great part of the credit for the standard of living which everyone of us enjoys in this country today.

As an official of the American Stock Exchange which has played an important part in developing this diversity of ownership in our corporate enterprises, I am probably more acutely aware of the importance of greater and more wide spread stockholder participation in our industry than most would be. We at the Exchange have for years been preaching doctrine of saving and sound investment by an ever-broadening group of individuals. True enough, we have a selfish interest in this, for it is good for our business. But more than that we realize fully, from a purely objective point of view, that a substantial increase in the present number of investors and in the amount of their investment will not only benefit such shareholders in American industry but is a prerequisite to the ability of American industry to bring to our growing population, in the years to come, a higher standard of living and a participation in and enjoyment of the products of a technological revolution of which we are now seeing only the bare beginnings.

Seven Named to CED Trustee Board

Seven business leaders have been elected to membership on the Board of Trustees of the Committee for Economic Development, it has been announced.

Announcement of the election was made by Donald K. David, Chairman of the Committee for Economic Development. The election took place at the semi-annual meeting of the board in Washington.

The Committee for Economic Development is a non-profit, nonpartisan organization of businessmen and educators who engage in research on national economic problems.

The new trustees:

Charles E. Ducommun, President, Ducommun Metals & Supply Co., Los Angeles, Cal.

Frederick R. Kappel, President, American Telephone and Telegraph Company, New York.

Roy G. Lucks, President, California Packing Corporation, San Francisco, Cal.

Donald H. McLaughlin, President, Homestake Mining Company, San Francisco, Cal.

H. Gardiner Symonds, President, Tennessee Gas Transmission Company, Houston, Texas.

E. J. Thomas, Chairman of the Board, The Goodyear Tire & Rubber Company, Akron, Ohio.

Sidney J. Weinberg, Partner, Goldman, Sachs & Co., New York, N. Y.

To Join Central States

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Roger A. Pae will become associated with Central States Investment Co., Hanna Building.

Merrill Lynch Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—John E. Baumgarten is with Merrill Lynch, Pierce, Fenner & Smith, 216 Superior Street, N. E.

With Merrill, Turben

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Charles C. Fridlin is with Merrill, Turben & Co., Inc., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Continued from page 14

What Should Be Role Of Industry in Public Affairs—Kappel

result, says the criticism, is that far too many of us—managers and employees alike—are politically inert: we have little or no idea of what democratic government is all about or of what the duties of citizenship are.

I am not talking about running for office and holding down a management job at the same time. Though there may be exceptional cases, generally the two do not mix. I think it might be difficult, for example, to be the mayor of a city and at the same time manager of the local telephone exchange. On the other hand, there will be situations where there is no possible conflict of interest, and one person can handle two jobs well. Circumstances alter cases. And quite apart from office-holding, I see every reason for encouraging people in business to engage in political affairs, as individual citizens, and no possible reason for discouraging it.

Rice and Government

Now I'll come to my fourth and last point. Recently in an article on foreign affairs I read this thought—that today, 80% of the population of the world is having a brand new experience. For the first time in history, they are waking up to the fact that the price of rice is related to the kind of government they have.

I wonder how many men and women in American industry really understand **how** the price of rice is related to the kind of government **they** have and the kind of government they vote for.

Or to say what I mean in less figurative language—

Do they know that how well their industry can serve **their** interest depends on how well it can serve the interest of **all?**

Do they know that this depends, in turn, on the freedom their industry is given to prosper?

Do they know that a healthy **economic** climate depends on the **political** climate their votes establish?

As to any political plan or program, regardless of who proposes it, do they search out the answers to questions like these:

Will it benefit the whole community—or just some people at the expense of others?

Is it good for the long run—or will it pile up trouble later on?

Is it sincere—or just smart politics?

I do not at all underestimate the intelligence of people in industry. I think they are well able to look at the evidence and decide.

But I think they have not always had all the evidence. In fact, sometimes the evidence about boils down to each party trying to promise more than the other. And while I am dead against corporations engaging in partisan support of candidates, I certainly think we should do the most we can—and that is more than we have been doing—to discuss policies and issues and call attention to their impact.

I hardly need to say how foolish it would be for any business to work along these lines on a merely self-serving basis. Only our own conviction that we speak the truth in the public interest will create conviction in others. But if we have this conviction, and speak that truth—voluntarily and with courage—I am confident we shall be performing a public service that our efforts will be so recognized.

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. 14	§74.7	*73.5	74.5	69.2
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 14	§2,015,000	*1,985,000	2,011,000	1,770,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 28	6,983,385	6,974,835	6,911,385	6,829,515
Crude runs to stills—daily average (bbls.)	Nov. 28	†7,785,000	7,880,000	7,752,000	7,807,000
Gasoline output (bbls.)	Nov. 28	28,141,000	27,861,000	27,400,000	27,205,000
Kerosene output (bbls.)	Nov. 28	2,234,000	2,474,000	2,144,000	2,292,000
Distillate fuel oil output (bbls.)	Nov. 28	13,291,000	12,695,000	13,039,000	12,554,000
Residual fuel oil output (bbls.)	Nov. 28	6,536,000	6,366,000	7,123,000	7,322,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 28	173,600,000	*169,576,000	168,476,000	185,203,000
Kerosene (bbls.) at	Nov. 28	31,932,000	32,155,000	32,374,000	32,661,000
Distillate fuel oil (bbls.) at	Nov. 28	161,439,000	162,415,000	166,414,000	167,594,000
Residual fuel oil (bbls.) at	Nov. 28	66,199,000	66,619,000	68,198,000	58,807,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 29	539,191	619,350	674,477	553,722
Revenue freight received from connections (no. of cars)	Nov. 29	530,163	550,374	556,584	549,492
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 4	$399,132,000	$273,014,000	$221,470,000	$200,970,000
Private construction	Dec. 4	160,005,000	113,064,000	73,961,000	75,807,000
Public construction	Dec. 4	239,127,000	159,950,000	147,509,000	125,163,000
State and municipal	Dec. 4	208,675,000	143,894,000	125,419,000	118,735,000
Federal	Dec. 4	30,452,000	16,056,000	22,090,000	6,428,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 29	7,540,000	*8,925,000	8,540,000	8,184,000
Pennsylvania anthracite (tons)	Nov. 29	371,000	384,000	386,000	372,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 29	171	169	136	170
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 6	13,017,000	12,274,000	12,311,000	12,315,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 4	294	244	331	287
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 1	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Dec. 1	$66.41	$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Dec. 1	$40.17	$40.50	$42.83	$32.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 3	28.575c	28.625c	28.625c	26.075c
Export refinery at	Dec. 3	27.100c	27.175c	30.350c	22.750c
Lead (New York) at	Dec. 3	13.000c	13.000c	13.000c	13.000c
Lead (St. Louis) at	Dec. 3	12.800c	12.800c	12.800c	12.800c
‡Zinc (delivered) at	Dec. 3	12.000c	12.000c	11.500c	10.500c
Zinc (East St. Louis) at	Dec. 3	11.500c	11.500c	11.000c	10.000c
Aluminum (primary pig, 99%) at	Dec. 3	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Dec. 3	99.000c	99.500c	97.625c	90.375c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 9	87.94	88.27	87.77	92.98
Average corporate	Dec. 9	90.48	90.48	89.92	90.34
Aaa	Dec. 9	95.16	95.01	94.56	97.62
Aa	Dec. 9	93.08	93.23	92.93	93.67
A	Dec. 9	90.06	90.06	89.37	90.20
Baa	Dec. 9	84.30	84.04	83.66	81.17
Railroad Group	Dec. 9	88.40	88.13	87.99	86.91
Public Utilities Group	Dec. 9	90.48	90.63	89.78	91.05
Industrials Group	Dec. 9	92.64	92.79	92.35	93.23
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 9	3.62	3.58	3.63	3.09
Average corporate	Dec. 9	4.38	4.38	4.42	4.39
Aaa	Dec. 9	4.06	4.07	4.10	3.90
Aa	Dec. 9	4.20	4.19	4.21	4.16
A	Dec. 9	4.41	4.41	4.46	4.40
Baa	Dec. 9	4.84	4.86	4.89	5.09
Railroad Group	Dec. 9	4.53	4.55	4.56	4.64
Public Utilities Group	Dec. 9	4.38	4.37	4.43	4.34
Industrials Group	Dec. 9	4.23	4.22	4.25	4.19
MOODY'S COMMODITY INDEX	Dec. 9	391.3	393.1	395.9	391.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 29	269,412	272,186	324,112	237,804
Production (tons)	Nov. 29	286,263	306,086	317,807	269,285
Percentage of activity	Nov. 29	88	94	95	86
Unfilled orders (tons) at end of period	Nov. 29	369,636	398,251	427,573	355,159
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 5	110.54	109.65	109.27	108.68
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 15	2,996,500	2,265,180	3,633,670	1,534,060
Short sales	Nov. 15	616,710	481,800	782,800	537,830
Other sales	Nov. 15	2,340,070	1,825,760	2,798,190	1,042,710
Total sales	Nov. 15	2,956,780	2,307,560	3,580,990	1,580,540
Other transactions initiated on the floor—					
Total purchases	Nov. 15	740,440	523,440	1,034,720	347,750
Short sales	Nov. 15	35,200	55,300	96,200	126,400
Other sales	Nov. 15	626,820	467,500	1,030,670	361,920
Total sales	Nov. 15	662,020	522,800	1,126,870	488,320
Other transactions initiated off the floor—					
Total purchases	Nov. 15	1,060,270	678,500	1,306,790	561,681
Short sales	Nov. 15	218,860	117,330	196,330	163,120
Other sales	Nov. 15	1,061,428	859,291	1,407,890	472,680
Total sales	Nov. 15	1,280,288	976,621	1,604,220	635,800
Total round-lot transactions for account of members—					
Total purchases	Nov. 15	4,797,210	3,467,120	5,975,180	2,443,491
Short sales	Nov. 15	870,770	654,430	1,075,330	827,350
Other sales	Nov. 15	4,028,318	3,152,551	5,236,750	1,877,310
Total sales	Nov. 15	4,899,088	3,806,981	6,312,080	2,704,660
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. 15	1,884,230	1,470,488	1,579,985	1,244,973
Dollar value	Nov. 15	$89,140,083	$69,346,567	$73,873,406	$51,551,986
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 15	1,884,693	1,489,787	1,649,516	960,910
Customers' short sales	Nov. 15	10,092	8,098	10,673	23,100
Customers' other sales	Nov. 15	1,874,601	1,481,689	1,638,843	937,810
Dollar value	Nov. 15	$90,715,850	$69,670,667	$78,194,301	$39,971,650
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 15	603,110	473,060	576,230	246,160
Short sales	Nov. 15				
Other sales	Nov. 15	603,110	473,060	576,230	246,160
Round-lot purchases by dealers—					
Number of shares	Nov. 15	609,380	433,780	512,170	522,180
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. 15	1,006,060	808,540	1,354,310	1,228,980
Other sales	Nov. 15	20,820,850	15,895,300	24,810,340	11,260,460
Total sales	Nov. 15	21,826,910	16,703,840	26,164,650	12,489,440
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 2	119.0	119.1	118.7	117.9
Farm products	Dec. 2	91.2	*91.8	91.4	91.6
Processed foods	Dec. 2	108.4	108.6	109.8	106.3
Meats	Dec. 2	101.7	102.2	104.2	92.3
All commodities other than farm and foods	Dec. 2	126.9	126.9	126.2	125.7

*Revised figure. †Includes 946,000 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
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of July	118,541	115,326	142,041
Stocks of aluminum (short tons) end of July	152,554	168,096	179,366
AMERICAN HOME LAUNDRY MANUFACTURERS ASSOCIATION—Month of October:			
Total home laundry appliance factory unit sales (domestic)	607,304	601,612	584,347
Combination washer-dryers	22,843	19,806	19,227
Washers	404,056	423,073	377,621
Dryers	180,405	158,733	187,499
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of October	8,816,000	*7,610,372	9,197,717
Shipments of steel products (net tons)—Month of September	5,386,292	4,835,023	6,171,674
AMERICAN PETROLEUM INSTITUTE—Month of August:			
Total domestic production (barrels of 42 gallons each)	239,678,000	227,565,000	234,403,000
Domestic crude oil output (barrels)	215,114,000	203,700,000	210,043,000
Natural gasoline output (barrels)	24,519,000	23,822,000	23,347,000
Benzol output (barrels)	45,000	43,000	13,000
Crude oil imports (barrels)	29,865,000	26,916,000	40,275,000
Refined product imports (barrels)	22,030,000	*23,008,000	13,584,000
Indicated consumption domestic and export (barrels)	273,019,000	*274,979,000	271,565,000
Increase all stocks (barrels)	18,554,000	2,510,000	16,697,000
AMERICAN RAILWAY CAR INSTITUTE—Month of October:			
Orders for new freight cars	781	1,582	2,202
New freight cars delivered	1,591	2,131	8,295
Backlog of cars on order and undelivered (end of month)	23,670	24,982	65,718
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of October (in millions):			
Total new construction	$4,763	$4,835	$4,609
Private construction	3,196	3,229	3,143
Residential buildings (nonfarm)	1,724	1,742	1,586
New dwelling units	1,325	1,320	1,180
Additions and alterations	345	371	357
Nonhousekeeping	54	51	49
Nonresidential buildings	754	742	844
Industrial	175	174	289
Commercial	323	316	330
Office buildings and warehouses	169	168	179
Stores, restaurants, and garages	154	148	151
Other nonresidential buildings	256	252	225
Religious	81	80	80
Educational	53	53	48
Hospital and institutional	51	52	52
Social and recreational	44	43	28
Miscellaneous	27	24	17
Farm construction	135	162	133
Public utilities	566	565	564
Railroad	33	36	37
Telephone and telegraph	79	74	96
Other public utilities	454	455	431
All other private	17	18	16
Public construction	1,567	1,606	1,466
Residential buildings	76	73	54
Nonresidential buildings	420	425	409
Industrial	32	33	38
Educational	259	258	262
Hospital and institutional	34	35	27
Administrative and service	54	56	41
Other nonresidential buildings	41	43	41
Military facilities	130	125	132
Highways	660	685	604
Sewer and water systems	125	130	117
Sewer	77	79	72
Water	48	51	45
Public service enterprises	43	50	38
Conservation and development	97	102	101
All other public	16	16	11
COPPER INSTITUTE—For month of October:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	111,874	*86,800	102,107
Refined (tons of 2,000 pounds)	113,288	*107,971	129,832
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	121,692	*101,064	114,032
Refined copper stocks at end of period (tons of 2,000 pounds)	128,490	*178,222	166,976
COTTON GINNING (DEPT. OF COMMERCE):			
To Nov. 14 (running bales)	8,943,846	------	6,757,657
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Nov. 1	20,697,000	20,666,000	21,096,000
Spinning spindles active on Nov. 1	17,650,000	17,641,000	18,130,000
Active spindle hours (000's omitted) Nov. 1	10,496,000	8,190,000	10,475,000
Active spindle hours for spindles in place Oct.	419.8	409.5	419.0
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average=100—Month of October:			
Adjusted for seasonal variation	135	*136	129
Without seasonal adjustment	141	*138	134
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of September:			
Contracts closed (tonnage)—estimated	255,584	225,768	221,043
Shipments (tonnage)—estimated	313,701	298,012	338,629
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of September:			
Total operating revenues	$846,947,921	$834,789,583	$874,148,707
Total operating expenses	630,127,826	629,886,592	674,042,534
Taxes	96,274,875	86,877,897	91,676,041
Net railway operating income before charges	93,564,724	93,036,746	84,173,722
Net income after charges (estimated)	73,000,000	77,000,000	64,000,000
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of September:			
Passenger Tires (Number of)—			
Shipments	6,658,564	6,711,484	6,564,375
Production	7,133,984	6,752,679	7,535,425
Inventory	16,044,954	15,535,224	16,310,462
Truck and Bus Tires (Number of)—			
Shipments	1,253,307	1,136,645	1,158,586
Production	1,143,404	1,008,884	1,105,175
Inventory	2,880,251	2,985,858	3,082,514
Tractor-Implement Tires (Number of)—			
Shipments	273,417	266,113	269,769
Production	280,153	279,907	251,135
Inventory	675,748	663,123	630,056
Passenger Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,498,264	3,331,264	3,483,330
Production	3,390,465	3,305,328	3,364,617
Inventory	7,656,758	7,664,108	6,173,745
Tread Rubber (Camelback)—			
Shipments (pounds)	43,135,000	41,622,000	39,009,000
Production (pounds)	43,706,000	43,621,000	40,480,000
Inventory (pounds)	32,741,000	31,988,000	27,190,000
ZINC OXIDE (BUREAU OF MINES) — Month of September:			
Production (short tons)	14,379	14,427	13,652
Shipments (short tons)	14,587	14,038	15,318
Stocks at end of month (short tons)	21,172	[illegible]	[illegible]

Wellington Sales Rise Sharply

Wellington Fund sales during November 1958 totaled $11,550,000 as compared to $8,753,000 for November 1957, an increase of about $2,800,000, A. J. Wilkins, Vice-President, reported.

Wellington Equity Fund sales during November 1958 totaled $1,457,000.

Thus, sales of Wellington Company distributed funds for November 1958 amounted to $13,007,000, the highest total for any month in the company's history.

Sales of Wellington Fund alone for the 11 months of 1958 totaled $107,720,000, as compared to $87,884,000 for the same period in 1957.

Mutual Funds

By ROBERT R. RICH

Dividend Shares Sets New Records In All Categories

Total net assets, number of shareholders and shares outstanding of Dividend Shares, Inc. reached new highs during the fiscal year ended Oct. 31, 1958, Hugh Bullock, President, told shareholders in the fund's 26th annual report.

The fund, which provides its shareholders with a diversified investment primarily in high-grade common stock, increased its total net assets 28% to $249,535,889 at the end of the 1958 fiscal year, compared with $195,529,831 on Oct. 31, 1957.

The $54,006,058 increase in the company's total net assets during the fiscal year, Mr. Bullock said, reflects not only a rise in the market value of investments, but an increase of 4,815,558 in the number of share outstanding.

Net asset value per share climbed from $2.36 on Oct. 31, 1957 to $2.85 on Oct. 31, 1958. After crediting the distribution of 8½ cents per share from net securities profits, he said, the increase for the period is equal to 24.4%.

The number of shareholders rose to 92,400 from 87,000 during the year.

During the fiscal year Dividend Shares paid four quarterly cash dividends which totaled 9 cents per share, from net investment income and distributed 8½ cents in cash or additional shares from net profits realized from the sale of securities.

The fund made substantial purchases of common stocks at the relatively low levels of October-November 1957 and again in January-February 1958, but did not materially add to its common stock holdings during the rise of the past several months, Mr. Bullock told the shareholders. In fact, common stocks were sold on balance during September, and, as a result, Dividend Shares had reserves of cash and U. S. Government securities at Oct. 31, 1958 of 16.02% of total net assets. Common stocks represented 83.98% of assets.

In addition to a conservative position with respect to reserves, Mr. Bullock said, the company has invested primarily in common stocks representing corporations believed to have earnings stability. Principal investments are in such groups as public utilities, petroleum, chemicals and drugs and banks and finance.

"It seems evident that stock prices are high and appear to be discounting favorable developments far in advance," Mr. Bullock told the shareholders. "Furthermore, the talk of inflation has imparted an undesirable emotional tinge to the market. It is possible that future developments will justify current market prices, but under the present environment, your management believes it can continue to serve the best interests of its shareholders by maintaining a conservative position at this time."

Colonial Fund Assets Up 50%

James H. Orr, President of The Colonial Fund, reported that for the fiscal year ended Oct. 31, 1958 total net assets of the fund increased 50% to a record high of $60,111,000, and that the fund's per share net asset value rose from $8.26 to $9.95. Mr. Orr added that distributions for the fiscal year were 40 cents per share from income and 16 cents per share from realized gains.

For the three months ended Oct. 31, 1958 Mr. Orr also reported that sales of The Colonial Fund shares reached a new high for any quarter since the fund was open-ended in 1954. Sales were 535,000 shares totaling 5,250,000 for the quarter. For the fiscal year, sales were 1,430,000 shares and $13,052,000.

During the past quarter, the fund made the following major portfolio changes: New commitments were: Champlin Oil & Refining Co.; Schering Corp.; Thorpical Gas Co., 6% conv. preferred; Cons. Edison of N Y., 5s '87; General Telephone, convertible 4½s 1977; Gulf Mobile & Ohio, 4s 2044; Ling Electronics, convertible subordinated debentures 5½s, 1970; Oxford Paper, convertible subordinated debentures 4¾s, 1978; and Sperry Rand sinking fund debentures 5½s, 1982 ex. warrants.

Eliminated from The Colonial Fund portfolio were: Aluminium, Ltd.; Boeing Airplane Co.; General Telephone Corp.; International Minerals & Chemical; Long Island Lighting Co., 4.40% convertible preferred; Middle Utilities, Inc.; Ohio Edison Co.; and Shamrock Oil and Gas Corp.

Townsend Invest. Adds to Holdings

Townsend Investment Company, a diversified publicly-owned operating company, announced that it had acquired approximately 5% interest in Television Shares Management, Inc., the management company for Television-Electronics Fund, Inc., a mutual fund with investments in television, radio and industrial electronics. Television-Electronics fund had assets of $204,000,000 as of Oct. 31, 1958, having grown from $758,000 initial assets in 1948.

Clinton Davidson, Board Chairman of Townsend Investment Co., announced that the company also had increased its interest in the Income Foundation Research Corp. of Pittsburgh to 44%, up from the 9% interest purchased last month. Income Foundation Research Corp. is a mutual fund management company, which provides the management services for Income Foundation Fund.

Townsend Investment Company also owns 83.4% of the common stock of Resort Airlines, Inc. Through its subsidiary, Townsend Management Company, it has a 24% interest in FIF Management Corp., managers of Financial Industrial Fund, Inc., and possesses the management company contract for Townsend U. S. and International Growth Fund, a new "special situation" growth fund.

Tri-Continental Tops in M. I. P. Buying

Tri-Continental Corporation, the nation's largest diversified closed-end investment company, was the nine-month favorite of investors purchasing common stocks through the Monthly Investment Plan of member firms of the New York Stock Exchange. During the first three quarters of 1958, 592 new MIP programs were established in Tri-Continental common stock. Phillips Petroleum with 505 new plans and General Motors with 454 ranked second and third respectively in investors' choice during this period. General Electric, the frontrunner in total number of MIP plans, was the choice of 278 new investors.

Among the 1,200 stocks available for purchase through the New York Stock Exchange's Monthly Investment Plan, the common stocks of only two closed-end investment companies were included in the 50 most popular stocks at the end of September, the latest date at which figures are available. Tri-Continental's 2,446 plans placed it in fifth position following General Electric, General Motors, Dow Chemical and Standard Oil of New Jersey. The second most popular closed-end investment company had 929 plans and stood in fifteenth position in the list.

The rapid and sustained growth in the number of MIP holders purchasing the common shares of Tri-Continental is evidence of the continued interest of investors in owning a share in a diversified cross-section of securities carefully selected and supervised by experienced full-time management.

Murch Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Alan S. Williams is with Murch & Co., Inc., Hanna Building, members of the New York Stock Exchange.

Two With Bache

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Richard O. Ball and Ronald G. Leach are with Bache & Co., 39 East Broad Street.

Offers New 5-Year Contractual Plan

A new mutual fund contractual plan with a 5-year payment period instead of the standard 10-year term and with shareholder costs substantially reduced was announced by American Fund Distributors Inc., national underwriters of four funds with net assets of over $260 million.

Using one of the four—Washington Mutual Investors Fund—as its investment vehicle, it is being offered to investment dealers throughout the country by American Plans Distributors, Inc.

According to Ward L. Bishop, President of both Distributing Firms, the new Washington Investors Plan has been set up on the 5-year 60-payment basis to give the shareholder "greater flexibility" in achieving financial goals than he would have under a standard 10-year contractual.

Shares of Washington Mutual Investors Fund were selected as the new plan's underlying investment because of the fund's special investment policies, Mr. Bishop said.

Situated in Washington, D. C., the $14 million fund confines its portfolio only to high-grade common stocks legal for trust fund investment in the District of Columbia. Many leading labor unions nationally headquartered in Washington, restrict the common stock investments of their pension and trust funds to the District's "legal list."

Washington Investors Plans are being made available on monthly payment schedules ranging from $20 to $10,000, leading to total payments of from $1,200, designed for modest incomes, to $600,000, geared for pension funds.

As with many contractuals, the plan may be taken out in many states with optional reducing term insurance of up to $30,000 on uncompleted payments.

Planholders will also have several options to choose from after completing payments, including closing their accounts and redeeming their shares at market, receiving stock certificates for shares accumulated, or leaving their shares with the custodian for reinvestment of dividends and security profits at net asset value.

But no matter which option he eventually selects, the planholder can open a new 5-year plan anytime before or after his existing plan is concluded.

"The contractual plan has given hundreds of thousands of Americans a convenient way to provide for the future out of current income," Mr. Bishop said. "We feel the introduction of the Washington Investors Plan represents another step forward in the development of the contractual by enabling these people of moderate means to plan ahead with far greater flexibility, but without undue risk or excessive cost.

"We also believe the plan, because of the policies of its investment medium and the broadness of its monthly payment range, makes possible for perhaps the first time the adaptation of the contractual concept to the investment goals of large pension and trust funds."

Chemical Fund's November Sales Soar to New Highs

Chemical Fund, Inc. reported Dec. 3 that sales of the fund's shares in November scored a new 1958 high and were the largest November sales volume on record in the fund's more-than-20-year history.

November 1958 sales totaled $2,644,000, up 32% over October—the previous monthly high total in 1958.

Sales for the first 11 months of 1958 increased to $17,456,000, an increase of 22% over the same period a year ago.

Murray Hill Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Sol Pfeffer is conducting a securities business from offices at 1435 South La Cienega under the firm name of Murray Hill Investment Co. He was formerly with Toboco & Co., Inc.

Variable Investm't Plan Contract Sales Exceed $6,500,000

Sales of the Variable Investment Plan in the first four months of operation have exceeded $6,500,000 maturity value, Samuel R. Campbell, Jr., President of Institutional Financial Services Corporation, the sponsoring firm, reported.

More than 1,500 of the contractual-type plans, having a paid-in value of $475,800, were in force as of Nov. 25, 1958. These were held by investors in 31 states, Hawaii and four foreign countries. This wide initial distribution, Mr. Campbell said, can be attributed to the fact that the Plans are distributed exclusively by King Merritt & Company, Inc., a large direct sales organization with offices in 44 states and 16 foreign countries. Both the sponsoring and distributing concerns are subsidiaries of Channing Corporation.

Of the total in force, 1,020 are 10-year Plans and 485 are 15 years. Approximately one-third of all Plans carry payment completion insurance. An additional 32 Plans are fully paid. Monthly Plan payments, which could run from $10 to $1,000 or more, average $3 a month for Plans so far outstanding.

Underlying assets of the Variable Investment Plan are invested in the Institutional Growth Fund which reported assets of $52,400,000 on the above date.

Boston Fund Sales For Quarter Reach An All-Time High

A new all-time quarterly high in sales was registered by Boston Fund, one of the nation's largest mutual funds, when more than $6.5 million was invested in shares of the large balanced fund.

The Fund's 107th quarterly report revealed these other record achievements:

(1) A per share value of $16.74, an increase of some 15% over the $14.51 at Jan. 31, fiscal year-end. On July 31, the net asset value stood at $15.89.

(2) Total net assets of $179,161,937, a new quarterly-end high, as compared with $164,954,447 three months earlier and $135,428,585 a year ago.

(3) An increase in the number of shareholders to 31,776, a new peak, from 30,924 at the end of the previous quarter and 20,047 last year.

The number of shares outstanding rose to 10,701,456 from 10,382,755 on July 31 and 9,298,108 on Oct. 31 a year ago.

In his letter to shareholders, Henry T. Vance, the Fund's President, said the asset value, when properly adjusted for a capital gains payout of 89 cents last February, reflects the highest quarter-end per share price in the history of the Fund.

He noted that for shareholders who have maintained their full investment in the Fund by accepting the capital gains distribution in additional shares the current dividend payment of 13 cents as well as total payments of the fiscal year to date represent substantial increases over dividends paid in the corresponding periods last year.

The investment policy of the Fund during the past quarter, Mr. Vance explained, continued to be one of careful balance. "The portfolio reflects our awareness of the latent inflationary pressures in our economy, as well as the improvement in many lines of business. At the same time," he pointed out, "all of the uncertainties in the investment picture which existed last year have not as yet been resolved."

The quarterly report revealed that the Boston Fund portfolio was balanced as follows: 18% in bonds, 17% in preferred stocks and 65% in common stocks.

The Fund added $500,000 worth of Puget Sound Power & Light, 5¼s, 1983 to its bond holdings along with $392,000 of Oxford Paper convertible, 4¾s, 1978.

In the common stock category during the past quarter, American Optical; Associates Investment; Central Illinois Public Service; Household Finance and Public Service Co. of Indiana, were eliminated from the Fund's portfolio. Decreases in holdings were made in Atlas Powder; Borg-Warner; Commercial Credit; General Motors; Pacific Gas & Electric; J. C. Penney; Safeway Stores; and Southern California Edison.

No new additions were made in the common stock portfolio but increases in holdings were made in American Hospital Supply; Beneficial Finance; Bethlehem Steel; Cluett, Peabody & Co.; B. F. Goodrich; Goodyear Tire & Rubber; Iowa Southern Utilities; Loblaw; Pacific Finance; Stop & Shop; Transcontinental Gas Pipe Line; U. S. Rubber and U. S. Steel.

25th Consecutive Canadian Fund Div.

Canadian Fund, Inc. is paying a year-end dividend of 13 cents from net investment income and making a year-end distribution of 57 cents from capital gains, both payable Nov. 28, 1958 to shareholders of record Nov. 6, 1958, according to Hugh Bullock, President. This represents the 25th consecutive quarterly payment made by the fund, which is managed by Calvin Bullock, Ltd.

At Oct. 31, 1958, the market value of the assets of the fund was $45,477,885, or $18.51 per share. Asset value of the fund on Oct. 31, 1957 was $37,914,608, or $16.37 per share.

The year-end dividend and distribution brings the total paid during the fiscal year which ends Nov. 30, 1958 to 43 cents from net investment income and 57 cents from capital gains distributions. In the preceding fiscal year, payments aggregated 43 cents from net investment income and 52 cents from capital gains distributions.

Group Marks 25th Milestone With Imported Onyx Gift

Over two tons of imported Italian onyx, in the form of ¾-pound paperweights, went into the mails to mutual fund dealers across the country last week as Group Securities, Inc., a $145,000,000 mutual fund, marked its 25th anniversary on Dec. 5, 1958.

"We wanted to join with our many dealer friends in celebrating this important milestone," said Herbert R. Anderson, President of Group Securities, Inc., "so we chose this handsome desk-top paperweight as a durable symbol of our appreciation and friendship. We believe the dealer will find it an attractive and useful decoration for his office."

The paperweight, pearl-white with a rich marbling of red is 2½" x 3" x 1" in size. A gold plate on top bears the inscription "Group Securities Inc.—1933-1958—25th Anniversary."

Philip Platzer Opens

JAMAICA, N. Y.—Philip Platzer is engaging in a securities business from offices at 92-03 173rd Street.

November Sales of Broad Street Funds Attain New Peak

Gross sales of new shares of the Broad Street Group of Mutual Funds rose above the $4,000,000 mark for the first time in November to register a gain of 60% over October sales of $2,549,000, it was reported by Milton Fox-Martin, President of Broad Street Sales Corporation, national distributor for shares of Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.

November, 1958 sales of $4,083,000 were nearly three times greater than the $1,645,000 of November a year ago and were 54% higher than the previous record sales level set in September, 1958.

Sales of shares of the Broad Street Group recorded an all-time high for any single day on Wednesday, Nov. 26, with gross sales of shares totaling $1,142,000, it was also reported by Milton Fox-Martin.

Institutional Fund Assets Now Above $100 Million Level

Total net assets of the Institutional Funds have reached $100 million for the first time in the 22-year history of the investment organization, it was reported. Assets of the five mutual investment funds on Nov. 15, 1958, totaled $102,369,000, up $45,329,000 or 79.5% over the $57,040,000 recorded on the corresponding date a year previous.

Institutional Growth Fund, largest and fastest growing of the five funds, accounts for more than half of the total, with assets currently in excess of $53 million. The Income Fund is second with over $26 million; the Foundation Fund, third with $17½ million. The Insurance Fund currently has $3½ million and the Bank Fund, just under $2 million.

The sharp rise in assets in the past year can be attributed about equally to the increase in value of the Funds' underlying securities and sales of shares to new investors according to H. L. Jamieson, President of Hare's Ltd., national distributor of the Funds.

"Institutional Fund sales which reached almost $28 million for the first three quarters of the year, show a 61% increase over the corresponding period in 1957. This compares to a 7.4% increase for the mutual fund industry during the same period," Mr. Jamieson reported.

"Redemptions of Institutional Fund shares by investors during the first nine months of last year, which amounted to only 10.2% of sales, were then low compared to the average for the industry. They have dropped even lower for the same period this year," Mr. Jamieson said. "Redemptions of $2,433,000 were only 8.7% of sales whereas the industry for the same three quarters this year reported redemption of 29.5% of sales."

Van Strum & Towne, Inc., pioneer investment counsel firm, is the Funds' investment management organization. It is assisted by an investment advisory committee made up of the heads of research of four Wall Street investment banking concerns: Schroeder Boulton of Baker, Weeks & Co.; Lucien O. Hopper of W. E. Hutton & Co.; Lynn Shurtleff of Hayden, Stone & Co.; and Harold Young of Eastman Dillon, Union Securities & Co.

The Funds' management organization and its national distributor are divisions of Channing Corporation. Among the other Channing financial divisions are King Merritt & Company, one of the country's largest investment sales organizations operating in 43 states and 16 foreign countries; separate King Merritt companies in Canada, Mexico and the Far East, the Commonwealth and Income Mutual Investment Funds which are operated and distributed in Canada, Van Strum & Towne (Canada) Ltd. and Institutional Financial Services Corporation which sponsors the Variable Investment Plan, a contractual type program. The total value of investments under Channing management currently exceeds $500 million.

Wellington Equity Fund's First Report

The investment portfolio of Wellington Equity Fund, a mutual fund which began operation on Oct. 23, 1958, consists of 68 stocks in 14 major industry groups, Walter L. Morgan, President, announced in the first report to shareholders.

As of Dec. 1, 1958, Mr. Morgan stated, about 81% of resources were invested in these carefully chosen stocks in keeping with the Fund's long-term objectives and investment management's favorable appraisal of the future outlook for business and corporate profits.

"At present," Mr. Morgan added, "the largest investment is in a diversified list of oil stocks (19.93%), because of the expected increase in demand for oil products and an improving profit margin trend."

Other large industry commitments represented in the Fund (in order of size) include steels (9.23%); chemicals (7.81%); non ferrous metals (6.35%); electrical equipment (3.85%); drugs (3.37%); and building (3.12%).

Among the stocks in which more than a million dollars has been invested are Christiana Securities, General Electric, Royal Dutch, and Texas Company.

Mr. Morgan also noted in his report that there were 15 stocks classified as "other miscellaneous stocks" which are in smaller companies with good growth records and outstanding long term prospects. "After purchases have been completed," he said, "these stocks will be identified, probably in the regular quarterly report which will accompany the first dividend at the end of January 1959."

Slayton Urges More Emphasis on Redemption Ratios

According to preliminary estimates released Dec. 9 by Managed Funds President Hilton H. Slayton, sales during the year ended Nov. 30 came to $17.6 million, 18.2% higher than the record $14.8 million total reported for fiscal 1957.

At the same time, Slayton disclosed fourth-quarter volume of $5.5 million for the nationally-distributed fund group. This figure was 13.8% above third-period sales of $4.7 million—the previous quarterly record—and 35.8% more than the 1957 last-quarter total of $3.9 million.

Fourth quarter sales were highlighted by an October volume of just under $2.0 million, the largest monthly total since Managed Funds was founded, and 21.4% higher than the $1.6 million of October, 1957, the previous high.

The organization's ratio of redemptions to sales traditionally among the lowest in the fund industry came to 13.2% during 1958, slightly higher than last year's record low of 12.1%.

Slayton said members of the mutual fund industry should "play up" redemption ratios more than they are now doing.

"These ratios, because they are so low throughout the industry are perhaps as indicative of the accelerating acceptance of mutual funds as sales totals are," he explained.

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.

★ **Allied Publishers, Inc., Portland, Ore. (12/15)**
Nov. 28 (letter of notification) 22,000 shares of common stock (par $1). **Price**—$8.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—First Pacific Investment Corp., Portland, Ore.

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.

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. (12/12-15)**
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, 1957, 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 menters 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.

● **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 today (Dec. 11).

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.

★ **Associated Women Investors, Inc.**
Dec. 1 (letter of notification) 17,000 shares of common stock. **Price**—At par ($2 per share). **Proceeds**—For future general real estate investment in Florida. **Address** —P. O. Box 1003, Tampa, Fla. **Underwriter**—None.

Autosurance Co. of America
Oct. 16 filed 250,000 shares of common stock (par $2.50). **Price**—$5 per share. **Proceeds**—To increase capital and surplus. **Office**—Atlanta, Ga. **Underwriter**—None.

★ **Bank Building & Equipment Corp. of America**
Nov. 20 (letter of notification) 4,761 shares of common stock (par $2). **Price**—At-the-market (estimated at $21 per share). **Proceeds**—To go to a selling stockholder. **Office**—1130 Hampton Avenue, St. Louis 10, Mo. **Underwriter**—Scherck, Richter Co., St. Louis, Mo.

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**—1404 Main St., 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

★ **Bargain Centers, Inc.**
Nov. 20 (letter of notification) $300,000 of 6% subordinated convertible debentures due Jan. 1, 1969 and 30,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$100 per unit. **Proceeds**—For equipping and decorating a new store and acquisition of real estate for a new warehouse and working capital. **Office**—c/o Edward H. Altschull, President, 1027 Jefferson Circle, Martinsville, W. Va. **Underwriter**—Securities Trading Corp., Jersey City, N. J.

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.

★ **Big Bromley, Inc., Manchester, Vt.**
Dec. 9 filed 6,000 shares of common stock, $300,000 of 5% debentures due April 1, 1979, and $100,000 of 6% notes due April 1, 1980, the common stock and debentures to be offered in units of $250 of debentures and five common shares. **Price**—Of units, $500 each, and of notes, at par.

★ **Boston Garden-Arena Corp.**
Nov. 24 (letter of notification) 2,150 shares of common stock (par $1). **Price**—At-the-market (estimated at $23 per share). **Proceeds** — To go to selling stockholders. **Office**—North Station, Boston 14, Mass. **Underwriter**—Weston W. Adams & Co., Boston, Mass.

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. (12/15-19)**
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. (12/23)**
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. (12/22-26)**
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. (12/15)**
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.**
Nov. 17 filed 58,773 shares of common capital stock (par $100) being 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.

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.

★ **Central Illinois Light Co.**
Nov. 24 (letter of notification) 9,375 shares of common stock (no par) to be offered to employees under the company's Employee Common Stock Purchase Plan. **Price**—90% of average price on the New York Stock Exchange on five days preceding the purchase date but not less than 90% of the last sale on the purchase date or last preceding day on which the stock is to be sold. **Proceeds**—For construction, improvement or extension of its facilities. **Office**—316 Southwest Jefferson Avenue, Pier Peoria, Ill. **Underwriter**—None.

★ **Central Vermont Public Service Corp.**
Dec. 4 (letter of notification) 1,485 shares of common stock (par $6) to be offered to employees under the company's Employee Purchase Plan. **Price** — At the market price at time of purchase. **Proceeds**—To pay for the stock. **Office**—77 Grove St., Rutland, Vt. **Underwriter**—None.

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) being 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); rights to expire on Dec. 23. **Price**—$10 per share. **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, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

★ **Commercial Investors Corp.**
Nov. 28 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For investment. **Office**—Salt Lake City, Utah. **Underwriter**—Earl J. Knudson & Co., Salt Lake City, Utah.

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.

★ **Continental Casualty Co., Chicago, Ill.**
Dec. 8 filed 82,405 shares of capital stock (par $5) to be offered under the company's Employee Share Option Plan.

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. (12/16)**
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. (12/16)**
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.

★ **du Pont (E. I.) de Nemours & Co.**
Dec. 9 filed 150,000 shares of common stock to be issued upon the exercise of options granted certain key employees of the company and its subsidiaries under the company's bonus plan which was approved by stockholders Nov. 12, 1957.

★ **Edgcomb Steel of New England, Inc.**
Dec. 5 (letter of notification) 30,000 shares of class A common stock (par $5). **Price**—$10 per share. **Proceeds**—To pay off current notes payable to bank and to increase working capital. **Office** — 950 Bridgeport Ave., Milford, Conn. **Underwriter**—None.

● **Edmondton (City of), Canada (12/17)**
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.

★ **Eighth Deer Valley Land Co.**
Dec. 3 filed 425,498 shares of common stock. **Price**—$1 per share. **Proceeds**—To purchase farm land from Pinacopa Farms Trust. **Office**—1802 North Central Avenue, Phoenix, Ariz. **Underwriter** — O'Malley Securities Co., Phoenix, Ariz.

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.

★ **Fifth Deer Valley Land Co.**
Dec. 3 filed 395,278 shares of common stock. **Price**—$1 per share. **Proceeds**—For purchase of farm land from Pinacopa Farms Trust. **Office** — 1802 North Central Avenue, Phoenix, Ariz. **Underwriter** — O'Malley Securities Co., Phoenix, Ariz.

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.

★ **First Deer Valley Land Co.**
Dec. 3 filed 404,608 shares of common stock. **Price**—$1 per share. **Proceeds**—For purchase of farm land from Pinacopa Farms Trust. **Office**—1802 North Central Avenue, Phoenix, Ariz. **Underwriter**—O'Malley Securities Co., Phoenix, Ariz.

★ **First Lumber Corp.**
Dec. 3 (letter of notification) 50,000 shares of class A common stock (par $2). **Price**—$6 per share. **Proceeds**—To capitalize several wholly-owned subsidiaries and for general working capital. **Office**—1510 Jericho Turnpike, New Hyde Park, N. Y. **Underwriter**—Singer, Bean & Mackie, Inc., New York, N. Y.

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

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NEW ISSUE CALENDAR

December 12 (Friday)
American Bowling Equipment Corp.___Com. & Pfd.
(York Securities, Inc.) $155,000
Insurance City Life Co.________________Common
(Offering to stockholders—underwritten by Putnam & Co. and E. T. Andrews & Co.) $275,625
Kennesaw Life & Accident Insurance Co.___Com.
(Offering to stockholders—underwritten by Robinson-Humphrey Co.) $133,634

December 15 (Monday)
Allied Publishers, Inc.________________Common
(First Pacific Investment Corp.) $187,000
Belock Instrument Corp.____________Debentures
(Carl M. Loeb, Rhoades & Co.) $1,000,000
Brooks & Perkins, Inc.________________Common
(Watling, Lerchen & Co.) 100,000 shares
Cardinal Instrumentation Corp.__________Common
(Myron A. Lomasney & Co.) $240,000
Columbia Gas System, Inc.______________Common
(Carl M. Rhoades & Co. and Merrill Lynch, Pierce, Fenner & Smith) 800,000 shares
Narda Ultrasonics Corp.________________Common
(Milton D. Blauner & Co., Inc. and Michael G. Kletz & Co.) 60,000 shares
Norwalk Tank Co., Inc.________________Common
(G. K. Shields & Co.) $300,000
Realty & Theatre Ventures, Inc.__________Common
(Willis E. Burnside & Co., Inc.) $300,000
Southern Fire & Casualty Co.__________Preferred
(Stein Bros. & Boyce and John C. Legg & Co.) $300,000

December 16 (Tuesday)
Cuneo Press, Inc.__________________Debentures
(Hemphill, Noyes & Co.) $5,000,000
Cutter Laboratories __________________Common
(Blyth & Co., Inc.) 150,000 shares
New York, Chicago & St. Louis RR.__Equip. Tr. Ctfs
(Bids noon EST) $4,320,000
Texas Power & Light Co.__________________Bonds
(Bids 11:30 EST) $12,500,000
Two Guys From Harrison, Inc.________Debentures
(Bache & Co.) $2,500,000

December 17 (Wednesday)
Edmonton (City of)__________________Debentures
(The First Boston Corp. and Dominion Securities Corp.) $6,000,000
Performer Boat Corp.________________Common
(R. A. Holman & Co.) $300,000

December 18 (Thursday)
Norfolk & Western Ry.________Equip. Trust Ctfs.
(Bids to be invited) $5,850,000

December 19 (Friday)
United States Freight Co.______________Common
(Offering to stockholders—to be underwritten by Merrill Lynch, Pierce, Fenner & Smith) $210,000

December 22 (Monday)
Campbell Chibougamau Mines, Ltd.________Bonds
(Allen & Co. and W. C. Pitfield & Co., Ltd.) $5,000,000
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)
Burlington Industries, Inc.____________Debentures
(Kidder, Peabody & Co.) $7,051,675
Marcus Transformer Co., Inc.___________Common
(Berry & Co.) $300,000

December 31 (Wednesday)
Northern Insurance Co. of New York_____Common
(Offering to stockholders—underwritten by The First Boston Corp. and Wood, Struthers & Co.) 145,200 shares

January 5 (Monday)
Pennsylvania Power & Light Co.__________Common
(Offering to stockholders—to be underwritten by The First Boston Corp. and Drexel & Co.) 295,841 shares
Woodward & Lothrop Inc.______________Common
(Alex. Brown & Sons) 50,000 shares

January 7 (Wednesday)
Natural Gas Service Co.__________Debentures & Com.
(Kidder, Peabody & Co., Inc.) $200,000 of debentures and 40,000 common shares
Washington Water Power Co.________________Bonds
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co. and Laurence M. Marks & Co.) $15,000,000

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 12 (Monday)
Mechmetal-Tronics Inc. _________________Common
(Charles Plohn & Co.) $247,500

January 13 (Tuesday)
First National Bank & Trust Co., Tulsa, Okla. ________________________________Common
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Smith) $2,700,000
Gulf States Utilities Co.________________Preferred
(Bids to be received) $10,000,000

January 15 (Thursday)
Surrey Oil & Gas Corp.__________________Common
(Peter Morgan & Co.) $900,000

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
Southern Natural Gas Co.__________________Bonds
(Bids to be invited) $35,000,000

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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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.

★ **Fourth Deer Valley Land Co.**
Dec. 3 filed 348,157 shares of common stock. **Price**—$1 per share. **Proceeds**—For purchase of farm land from Pinacopa Farms Trust. **Office**—1802 North Central Avenue, Phoenix, Ariz. **Underwriter** — O'Malley Securities Co., Phoenix, Ariz.

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 68,740 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) being offered for subscription by stockholders of record on Dec. 3, 1958 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Dec. 22. **Price**—$20 per share. **Proceeds**—To repay bank loans. **Underwriter**—None.

Heartland Development Corp.
Oct. 23 (letter of notification) 22,820 shares of non-voting convertible preference stock (par $12) to be offered for subscription by stockholders on the basis of one share of convertible preference stock for each 10 shares of common stock held on or about Nov. 1, 1958. Stockholders will have 45 days in which to exercise the rights. **Price** — At par. **Proceeds** — To repay debts, acquisition of investments, and for general purposes. **Address**—P. O. Box-348, Albany, N. Y. **Underwriter**—None.

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-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.

★ **Insurance City Life Co., Hartford, Conn. (12/12)**
Nov. 26 (letter of notification) 15,750 shares of capital stock (par $10) to be offered for subscription by stockholders of record Nov. 28, 1958, on a one-for-two basis. **Price**—$17.50 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Putnam & Co. and E. T. Andrews & Co., both of Hartford, Conn.

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.

★ **Itemco Inc.**
Nov. 28 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire machinery and equipment and additional space for test laboratories; and for working capital. **Office**—4 Manhasset Ave., Port Washington, L. I., N. Y. **Underwriter** — B. Fennekohl & Co., 205 East 85th St., New York, N. Y.

★ **Kennesaw Life & Accident Insurance Co. (12/12)**
Nov. 26 (letter of notification) 59,393 shares of common stock (par $1) to be offered to stockholders of record Nov. 17, 1958, on a one-for-four basis. **Price** — $2.25 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Robinson-Humphrey Co., Atlanta, Ga.

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.

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) being offered on a basis of 1¼ shares in exchange for one share of capital stock of Wamsutta Mills. The offer expires on Dec. 19. **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.

★ **Mahon (Thomas J.), Inc.**
Nov. 28 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To retire loans by Thomas J. Mahon; to satisfy a mortgage and for corporate purpose. **Business**—Research, development and marketing of pharmaceutical products. **Office**—480 Sylvan Ave. (U. S. Rte 9-W) Englewood Cliffs, N. J. **Underwriter**—None.

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. (12/23)**
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. (1/12)**
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) being offered for subscription by stockholders of record Nov. 24, 1958 on the basis of one new share for each five shares held; rights to expire Jan. 15, 1959 (with an oversubscription privilege). **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.

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.
Nov. 14 filed $6,035,400 of convertible subordinated debentures due 1978, being offered for subscription by common stockholders of record Dec. 4, 1958 in the ratio of $100 of debentures for each 20 common shares held; rights will expire on Dec. 19, 1958. **Price**—100% of principal amount. **Proceeds**—For expansion program and general corporate purposes. **Underwriter** — The First Boston Corp., New York.

★ **Mobile Credit Corp.**
Dec. 1 (letter of notification) 7,749 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—11746 Appleton Avenue, Detroit 39, Mich. **Underwriter**—None.

Montana Power Co.
July 1 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds** — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co., Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc (jointly). **Bids**—Had been expected to be received up to noon (EDT) on Aug. 26 at Room 2033, Two Rector St., New York, N. Y., but company on Aug. 22 again decided to defer sale pending improvement in market conditions.

Montana Power Co.
July 1 filed 100,000 shares of common stock (no par). The stock will be offered only to bona fide residents of Montana. **Price**—To be related to the current market price on the New York Stock Exchange. **Proceeds**—Together with other funds, to carry on the company's construction program through 1959. **Manager-Dealers** — Smith, Barney & Co., Kidder, Peabody & Co. and Blyth & Co., Inc.

Morton Manufacturing Corp.
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. **Offering**—Expected this week.

● **Narda Ultrasonics Corp. (12/15-19)**
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.

★ **Natural Gas Service Co. (1/7)**
Dec. 4 filed $200,000 of 6% subordinated income debentures due Jan. 15, 1984, and 40,000 shares of common stock to be offered in units of $20 of debentures and four shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Office**—403 William St., Fredericksburg, Va. **Underwriter**—Kidder, Peabody & Co., Inc., New York.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For organizational expenses and first three months' operational expenses. **Office**—1250 Wilshire Blvd., Los Angeles 17, Calif. **Underwriter**—Waldron & Co., San Francisco 4, Calif.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

★ **New Jersey Investing Fund, Inc., New York**
Dec. 9 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Investment Adviser and Distributor**—Spear, Leeds & Kellogg, New York.

★ **Ninth Deer Valley Land Co.**
Dec. 3 filed 398,888 shares of common stock. **Price**—$1 per share. **Proceeds** — To purchase farm land from Pinacopa Farms Trust. **Office**—1802 North Central Avenue, Phoenix, Ariz. **Underwriter**—O'Malley Securities Co., Phoenix, Ariz.

★ **Northern Insurance Co. of New York (12/31)**
Dec. 5 filed 145,200 additional shares of capital stock (par $12.50) to be offered for subscription by stockholders of record Dec. 23, 1958, at the rate of one new share for each two shares then held (exclusive of any shares issuable to stockholders as a result of a distribution of one new share for each old share held of record Dec. 23, 1958 which will be made concurrently with the issuance of the warrants); rights to expire on Jan. 19. **Price**—To be supplied by amendment. **Proceeds**—To increase capital and surplus. **Underwriters**—The First Boston Corp. and Wood, Struthers & Co., both of New York.

● **Northwest Airlines, Inc.**
Nov. 13 filed 457,873 shares of cumulative preferred stock, convertible series (par $25) being offered for subscription by common stockholders on the basis of one preferred share for each three common shares held on Dec. 8; rights to expire on Dec. 22. **Price**—At par. **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.

★ **Norwalk Tank Co., Inc. (12/15-19)**
Nov. 24 (letter of notification) 100,000 shares of class A common stock (par $1). **Price**—$3 per share. **Proceeds** — For working capital. **Office** — 15 William St., New York, N. Y. **Underwriter**—G. K. Shields & Co., New York.

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.

★ **Oil & Gas Ventures-Second 1959 Fund, Ltd.**
Dec. 5 filed $1,500,000 of Participations in Capital as Limited Partnership Interests. **Price**—$10,000 per unit. **Proceeds**—For the acquisition and exploration of oil and/or gas properties. **Office** — 55 Green Village Road, Madison, N. J. **Underwriter**—Mineral Projects Co., Ltd., Madison, N. J.

★ **Oppenheimer Fund, Inc.**
Dec. 5 filed 100,000 shares of capital stock. **Price**—At market (about $10 per share). **Proceeds**—For investment. **Office**—25 Broad St., New York. **Underwriter**—Oppenheimer & Co., New York. **Offering** — Expected sometime in February.

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 11,936,735 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.

★ **Passamaquoddy Bay Co.**
Dec. 4 (letter of notification) 1,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To discharge current obligations; to purchase from the subsidiary two buildings; and for additional working capital. **Office**—20 Arnold St., Quoddy Village, Eastport, Me. **Underwriter**—None.

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.

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.

★ **Performer Boat Corp. (12/17)**
Nov. 26 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — 14720 Lakewood Blvd., Paramount, Calif. **Underwriter**—R. A. Holman & Co., New York, N. Y.

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.

Ponce de Leon Trotting Association, Inc.
Aug. 7 filed 400,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To pay current liabilities, for new construction and working capital. **Office**—Bayard, Fla. **Underwriter**—Robert L. Ferman Co., Inc., Miami, Fla.

Prairie Fibreboard Ltd.
Aug. 18 filed 209,993 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $3 per share. **Proceeds** — For construction purpose. **Office** —Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., and United Securities, Ltd., both of Saskatoon, Canada.

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.

● **Realty & Theatre Ventures, Inc. (12/15-19)**
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.

★ **Riverside Mining Corp.**
Dec. 1 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—99 Willard Street, Garfield, N. J. **Underwriter**—None.

★ **Rochester Razor, Inc.**
Dec. 3 (letter of notification) 400 shares of capital stock (no par). **Price**—$125 per share. **Proceeds**—For general corporate purpose. **Office**—21 Rutter St., Rochester, N. Y. **Underwriter** — Frederick A. Merlau, Rochester, N. Y., associated with Grimm & Co., as agent for the corporation.

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.

★ **San Diego Gas & Electric Co. (1/8)**
Dec. 8 filed $15,000,000 of sinking fund debentures due Jan. 15, 1984. **Proceeds**—Toward the cost of additions to utility property. **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.

★ **San Diego Imperial Corp., San Diego, Calif.**
Dec. 9 filed 845,000 shares of common stock, to be offered in exchange for all of the 45,000 outstanding shares

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of capital stock of Silver State Savings & Loan Association and 3,000 shares of capital stock of Silver State Insurance Agency, Inc., both of Denver, Colo.

★ Scott Paper Co.
Dec. 4 filed 10,000 memberships in the company's Employees' Stock Purchase Plan for 1959, together with 46,641 shares of common stock which may be purchased and distributed under said plan.

★ Second Deer Valley Land Co.
Dec. 3 filed 402,121 shares of common stock. **Price**—$1 per share. **Proceeds**—For purchase of farm land from Pinacopa Farms Trust. **Office**—1802 North Central Avenue, Phoenix, Ariz. **Underwriter**—O'Malley Securities Co., Phoenix, Ariz.

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.

★ Seventh Deer Valley Land Co.
Dec. 3 filed 439,673 shares of common stock. **Price**—$1 per share. **Proceeds**—To purchase farm land from Pinacopa Farms Trust. **Office**—1802 North Central Avenue, Phoenix, Ariz. **Underwriter** — O'Malley Securities Co., Phoenix, Ariz.

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.

★ Silicon Transistor Corp.
Dec. 4 filed 200,000 shares of common stock. **Price**—$3 per share. **Proceeds**—To purchase equipment and increase present inventories, and for working capital. **Office**—150 Glen Cove Road Carle Place, N. Y. **Underwriter**—None. Arnold Malkan, President, located at 565 Fifth Avenue, New York 17, N. Y., will subscribe for 100,000 shares if other 100,000 shares are sold publicly.

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.

★ Sixth Deer Valley Land Co.
Dec. 3 filed 398,640 shares of common stock. **Price**—$1 per share. **Proceeds**—For purchase of farm land from Pinacopa Farms Trust. **Office**—1802 North Central Avenue, Phoenix, Ariz. **Underwriter**—O'Malley Securities Co.

★ Slick Oil Corp., Houston, Tex.
Dec. 8 filed $1,500,000 of participating interests in the corporation's joint venture program, to be offered in minimum amounts of $15,000, payable 20% down and the balance upon demand during 1959. **Proceeds**—To assemble and acquire interests in Canada and Continental United States. **Underwriters**—Rowles, Winston & Co., Houston, Tex., and Dewar, Robertson & Pancoast, San Antonio, Tex.

★ Southern Fire & Casualty Co. (12/15-19)
Nov. 26 filed 12,000 shares of $1.50 convertible preferred stock. **Price** — At par ($25 per share). **Proceeds** — For general corporate purposes. **Office**—Knoxville, Tenn. **Underwriters**—Stein Bros. & Boyce and John C. Legg & Co., both of Baltimore, Md.

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 $1 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.

● Surrey Oil & Gas Corp., Dallas, Tex. (1/15)
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.

★ Third Deer Valley Land Co.
Dec. 3 filed 397,894 shares of common stock. **Price**—$1 per share. **Proceeds**—For purchase of farm land from Pinacopa Farms Trust. **Office**—1802 North Central Avenue, Phoenix, Ariz. **Underwriter**—O'Malley Securities Co., Phoenix, Ariz.

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.

● 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. The remaining 3,220 shares are to be offered to certain employees. **Price** — $1 per share. **Proceeds** — For working capital. **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.]

● Two Guys From Harrison, Inc. (12/16-17)
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. (12/19)
Nov. 13 filed 210,000 shares of capital stock (no par) to be offered for subscription by stockholders of record Dec. 18, 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.

★ United Western Sales Division, Inc.
Dec. 5 (letter of notification) 600,000 shares of preferred-common stock (par one cent). **Price**—50 cents per share. **Proceeds** — For working capital. **Office** — 2137 South Birch St., P. O. Box 8387 University Park Station, Denver, Colo. **Underwriter**—None.

★ United Wholesale Druggists of Fort Worth, Inc.
Nov. 24 (letter of notification) 2,000 shares of common stock (no par) to be offered for subscription to persons, partnerships, associations, trusts, corporations, firms and others engaged in the retail drug business. **Price** — $50 per share. **Proceeds**—For operating capital and security. **Office**—70 Jennings Avenue, Ft. Worth, Texas. **Underwriter**—None.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Utah Power & Light Co.
June 26 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem $15,000,000 of first mortgage bonds, 5¼% series due 1987, to repay $4,000,000 of bank borrowings, and the balance together with further borrowings under a bank agreement and cash generated in the business will be used to carry forward the construction program of the company and its subsidiaries amounting to approximately $43,000,000 for the period 1958-1960. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Blyth & Co. Inc. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Salomon Brothers & Hutzler; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., and Smith, Barney & Co. (jointly). **Bids**—Were to have been received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Sept. 9, but were postponed on Sept. 3.

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.

★ Vickers Tractor, Ltd.
Dec. 1 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share.) **Proceeds**—To pay bank and other inventory loans and for working capital. **Office**—Chamber of Commerce Building, Muskegon, Mich. **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.

★ Washington Water Power Co. (1/7)
Dec. 9 filed $15,000,000 of first mortgage bonds due 1989. **Price**—To be supplied by amendment. **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.

West Ohio Gas Co.
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.

★ **Woodward & Lothrop Inc. (1/5-9)**
Dec. 9 filed 50,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—for merchandise inventories, accounts receivable, and other corporate purposes. **Underwriter**—Alex Brown & Sons, Baltimore, Md.

● **Woolfoam Corp.**
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. **Offering**—Expected today (Dec. 11).

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.

★ **Columbia Gas System, Inc.**
Dec. 1 it was reported that the company may issue and sell additional common stock in the first half of 1959. **Proceeds**—To repay outstanding bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, White, Weld & Co., Shields & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co.

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 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 & 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 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 $25,000,000 and $30,000,000 of bonds may soon be publicly offered on the American market. **Proceeds**—For public works projects, etc. **Financial Adviser**—The First Boston Corp., New York.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year. The proposed sale was subsequently deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp

Laboratory for Electronics, Inc.
July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

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 up to noon (EST) 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 States Power Co. (Minn.)**
Dec. 3, Allen S. King, President, announced that the company plans about the middle of 1959 to put out a common stock issue and possibly a $15,000,000 preferred stock issue if there is a satisfactory market. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders (1) For preferred stock: Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Harriman Ripley & Co., Inc. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. (2) For common stock: Lehman Brothers and Riter & Co. (jointly); The First Boston Corp., Blyth & Co., Inc. and Kuhn, Loeb & Co. (jointly); White, Weld & Co. and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith.

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.

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 Co.**
Dec. 9 it was reported that the company plans to raise early in 1959 between $40,000,000 and $45,000,000 through the public sale of common stock. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly);

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Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Lehman Brothers.

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. **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.

★ **Transcontinental Gas Pipe Line Corp.**
Dec. 8 it was reported that the company is planning the sale early in January of $30,000,000 to $35,000,000 of first mortgage pipeline bonds. Additional financing expected later in 1959. **Proceeds**—For construction program. **Underwriter**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

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 near future.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $14,000,000 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

Evidently this is not the season of the year to expect far-reaching changes in the corporate new issue market. At any rate it now appears that recently expressed optimism with regard to reception being accorded new debt offerings may have been a bit premature to say the least.

The market has been building up increasing resistance to decline but at the same time investors apparently continue to mark time and can't be coaxed or rushed into making extensive purchases of new securities.

Reluctance presumably is largely seasonal with the end of the year rolling around rapidly. In the circumstances, portfolio managers are more likely to lean toward maintaining their positions and striking a balance for closing out their books at the moment.

Yields on three most recent issues of substantial proportions have been pretty much in keeping with what investors might have been led to anticipate.

But such offerings, and this includes Pacific Gas & Electric's emission, are still available at the offering price. In the case of the latter issue the initial rush of orders subsequently flattened out.

The corporate market has had little more than negative assistance from the Treasury list which, after all, is the keystone of the long-term investment market as a whole. Governments have been backing and filling in a rather narrow range, seemingly in an effort to arrive at something of a new base.

Treasry To the Fore

Plans of the Treasury for handling the Government's fiscal needs in the early part of the new calendar year will be an increasing topic of discussion in the weeks ahead.

Market interests are looking for a move in that direction soon after the first of the year and this may account for some of the hesitation on the part of potential buyers in the corporate market. They may be retaining at least a portion of available funds for the Treasury offering.

There is a growing disposition among investment interests to anticipate a decision by the Government to bring out a long-term bond, one with a maturity of 25 to 30 years.

Bidding Is Close

Southern Bell Telephone & Telegraph Co.'s offering of $70 million of 35-year debentures brought a close race between two syndicates which competed for the deal when bids were opened the other day.

The winning group paid the company a price of 100.3199 for a 4⅜% coupon. The second bid was 100.22 for the same interest rate, a spread of less than 10 cents per $100, or only $1 a bond.

Price for reoffering at 101.307 to yield an indicate 4.55%, the issue was reported slow in getting started to investors when subscription books were opened.

Near-Term Calendar

From all indications, underwriters and their distributing affiliates will have time for a little "door-bell" ringing next week to help with the task of moving out such inventory as has accumulated.

Certainly the handful of prospective business on the books for the period is not sufficient to keep many hands busy. Columbia Gas System is slated to offer 800,000 shares of additional common stock during the week.

Tuesday shows $12.5 million bonds of Texas Power & Light Co. up for bids along with $4,920,000 of New York, Chicago & St. Louis equipment trust certificates. Tuesday also is the date of offering of the $5,000,000 issue of Cuneo Press Inc. debentures. And Thursday's list consists of $5,850,000 of equipment trust certificates of the Norfolk & Western Railway.

Joins Fairman Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jack J. Maghakian has joined the staff of Fairman & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange.

Continued from page 2

The Security I Like Best

represented the second successive 7.5% capital payout. In 1958 the dividend was valued at $2.50 per share and this represented a better than 8% distribution at time of declaration. The 1958 distribution is one share of High Voltage Engineering Corp. for each 20 A.R.D. The 1957 dividend was one share of High Voltage Engineering Corp., valued at $24.00 per share, for each 15 A.R.D. In 1956 one share of High Voltage Engineering Corp., valued at $19.00 per share, was paid for each 10 A.R.D. Since H.V.E.C. was 50 bid at the 1958 dividend declaration date, this means an A.R.D. stockholder would have just about doubled his dividend capital with a very favorable tax basis. I suggest that this is exceptionally good annual treatment for A.R.D. shareholders.

With such excellent capital growth, even after payment of generous distributions, why is A.R.D. offered at approximately 33% under net asset value per share? I believe this can be attributed to several factors.

(1) A.R.D. issues only semi-annual financial reports and, therefore, I think that not only the general public, but the investment fraternity, is not familiar with the current value behind A.R.D. shares.

(2) A.R.D., due to its emphasis on growth investment in young companies, will usually show about break-even operating results because they encourage the companies in which they are invested to put back almost their entire earnings into the buildup of future sales and profits. I believe this is misunderstood by the public and investment people who give A.R.D. a swift and surface scanning, expecting it to show operating results comparable to regular investment trusts.

(3) In my opinion A.R.D. has recently reached an important stage in its development. For many years after its founding in 1946 almost all A.R.D.'s investments were in companies which were extremely young, many of which A.R.D. helped to found, and almost none had public markets. The speculative factor was tremendous, and profits were years away.

Now, however, the bulk of A.R.D.'s portfolio value is in the publicly traded common stocks of companies which are maturing in exceptionally fast growing and profitable operations. For example: Camco, Inc. is the world's leader in gas lift equipment used for recovery of oil from wells that have ceased to flow naturally. Camco's sales have increased over 15 times in 10 years. A.R.D.'s common stock investment in Camco has a cost of $135,000 and a market value of over $900,000.

High Voltage Engineering Corp., which A.R.D. helped found in 1946, is the world's largest manufacturer of particle accelerators—"atom smashers." High Voltage Engineering's 1958 sales will be up approximately 20% again this year over last year, and its net profit will be between $1.05 and $1.20 up from 89 cents in 1957. As you will note, the company sales have expanded over 20 times since 1948. A.R.D.'s $93,824 investment here is now worth approximately $2,000,000.

Ionics, Inc. is the only manufacturer of commercial and military electric membrane saline water demineralizers, which turn salt or brackish water into potable drinking water. A.R.D.'s investment in Ionics at cost is $402,843 and at this writing has a market value of $1,871,013.

Eighty-two point three percent (82.3%) ($11,132,493) of the value of American Research & Development's portfolio is now represented by publicly traded and immediately marketable common stocks. Of the total $13,500,000 value of A.R.D. shares on Nov. 21, 1958, 56% or $7,569,413 is represented in the common stocks of the really exciting companies of Camco, High Voltage Engineering, Ionics, Machlett Laboratories, Midwestern Instruments, and Tracerlab. Another $1,980,562 of A.R.D.'s holdings are in the common stock of the dynamic and highly respected Cutler Hammer Corp. A.R.D. obtained the Cutler Hammer stock through a share for share exchange of Airborne Instruments in 1958. This exchange solidified a truly remarkable profit of greater than 2,300% as A.R.D. has an $84,677 cost on its 31,500 shares of Cutler Hammer.

I will not further detail the portfolio, but I wish to emphasize as strongly as I can that many of A.R.D.'s investments although small companies are reaching really substantial positions in their own individual highly technical industries. Their products are in most cases highly patented.

I believe it should be emphasized that each new investment represents a very much smaller percentage of the total investment portfolio than in former years. Thus the total risk flavor of the portfolio is substantially reduced.

I believe it is important to state, however, that new ventures are continually being investigated, and new investments made. Here again I believe that time has improved A.R.D.'s chances of a higher percentage success ratio. First, A.R.D. executives have had 12 years of experience to sharpen their knowledge and techniques of picking investments. Second, few people outside the investment world knew of A.R.D. in its early years. Now inventors, and entrepreneurs know and respect A.R.D.'s reputation for management help as well as capital investment and many bring their plans, immediately, to A.R.D. when they need capital.

These new investments are the potential from which much of A.R.D.'s future profits depend. Some of their investments will probably be unfortunate, but in venture capital investments initial risks as well as possible returns are high.

As testimony to the quality of A.R.D. as an investment, I will underline two points. First, any company which numbers among its directors the chairman of the John Hancock Mutual Life Insurance Co., the former head of the Massachusetts Investment Trusts, the former treasurer of Massachusetts Institute of Technology, the president of West Virginia Pulp & Paper, the president of Taft Pierce Manufacturing Co., and the president of U. S. Industries, bespeaks quality. I have met and know the operating management of A.R.D., led by General George Doriot, and it is of the highest ability and integrity.

Secondly, I can suggest no more impressive endorsement than the large percentage of A.R.D. stock which is held by these institutional holders among others:

	Shares
Massachusetts Investors Trust	22,000
Mass. Investors Growth Trust	6,500
John Hancock Mutual Life Ins.	16,000

In conclusion, I believe people who have the courage and inquisitiveness to invest in the growing companies and industries which are now in the beginning phase of their real growth and which have as yet not been discovered or seasoned to the investment status preferred by the majority of individual and institutional investors, will make the greatest percentage gains in the stock market in the next few years. I believe A.R.D. shares represent an extremely intelligent method of making such investment.

In one quality package they will be purchasing an investment in many of the most exciting and potential profit making areas of the future. Their investment in this field will be managed by a top drawer group of industrialists, scientists, and financial people. They will be purchasing such an investment at a very substantial discount from net asset value just as the company has reached the potential springboard area for great growth with a substantially lower risk than in former years.

Morgan Stanley Group Offers Upjohn Stock

A nationwide underwriting group headed by Morgan Stanley & Co. and comprising 241 investment firms is offering for public sale today (Dec. 11) 2,410,000 shares of $1 par value common stock of The Upjohn Company, priced at $45 per share. This is the first public offering of shares of the company, a leading manufacturer of ethical drug products, whose main plant is located near Kalamazoo, Mich.

The 2,410,000 shares are being sold for the account of certain shareholders, including several charitable organizations and members of families descendant from and other relatives of Dr. W. E. Upjohn, who established the business in 1886. All of the proceeds of the sale will be received by the selling shareholders.

The public offering follows reincorporation of the company as a Delaware corporation and an increase in authorized common stock from 650,000 shares of $10 par value to 20,000,000 shares of $1 par value. The company has no preferred stock or debt.

The Upjohn Company has earned a net profit and paid cash dividends on its common stock in every year since its incorporation in 1909. For many years dividends have been paid monthly and in 1958 disbursements were made at the rate of 4 cents per share per month (in terms of the presently outstanding stock) together with a year-end extra dividend of 8 cents per share.

The company intends to pay dividends on a quarterly basis in the future. A dividend of 16 cents per share has been declared for payment on Feb. 3, 1959, to stockholders of record on Jan. 19, 1959.

The Upjohn Company is one of the largest ethical drug manufacturers in the United States, currently producing approximately 535 ethical drug products which are generally sold under the company's trademarks. In addition, it sells limited amounts of fine chemicals. Sales are in four general classifications: antibiotics, steroids (hormones), nutritional (vitamins and hematinics) and other pharmacological products. The company is one of the world's large producers of cortical steroids.

In the ten-year period 1948-57 the company's annual net sales increased from $59,463,000 to $128,083,000, each year showing a gain. For the nine months ended Sept. 30, 1958, sales were $109,423,000 and net earnings $16,830,000, equal to $1.20 per share on the 14,056,000 shares of common stock presently outstanding.

Chase Manhattan and Associates Offering New York State Bonds

The Chase Manhattan Bank is manager of an underwriting syndicate which on Dec. 10 was awarded $51,000,000 State of New York Highway Construction and Mental Health Construction Bonds. For the issue, comprised of $30,000,000 of 2.90% Highway Construction Bonds due Jan. 15, 1960 through 1979, and $21,000,000 of 2.80% Mental Health Construction Bonds, due Jan. 15, 1960 through 1974, the group bid 100.04199, representing a net interest cost of 2.86078% to the state.

Public reoffering of the bonds is being made at prices to yield from 2.25% to 3%, according to maturity.

Other members of the offering syndicate include:

Kuhn, Loeb & Co.; Chemical Corn Exchange Bank; Blyth & Co., Inc.; C. J. Devine & Co.; Manufacturers Trust Co.; The Marine Trust Company of Western New York; The Northern Trust Company; Harris Trust and Savings Bank; Hallgarten & Co.

Kidder, Peabody & Co.; Ladenburg, Thalmann & Co.; R. W. Pressprich & Co.; Salomon Bros. & Hutzler; Barr Brothers & Co.; Blair & Co. Incorporated; White, Weld & Co.; The Philadelphia National Bank; Carl M. Loeb, Rhoades & Co.

Bear, Stearns & Co.; Equitable Securities Corporation; Hornblower & Weeks; Mercantile Trust Company; W. H. Morton & Co. Incorporated; F. S. Moseley & Co.; Stone & Webster Securities Corporation; Wertheim & Co.; Estabrook & Co.; Hemphill, Noyes & Co.; Kean, Taylor & Co.; Manufacturers and Traders Trust Company; Buffalo; Reynolds & Co.

E. F. Hutton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George H. Singleton has been added to the staff of E. F. Hutton & Company, 623 South Spring Street.

Staats Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Howard S. Gates has been added to the staff of William R. Staats & Co., 640 South Spring Street.

With Leo MacLaughlin

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Rolf L. Storlie is now with Leo G. MacLaughlin Securities Company, 65 South Euclid Avenue.

Joins F. I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Richard L. Pedder is now connected with Francis I. du Pont & Co., 1200 J Street.

With Courts & Co.

W. W. Martin has become associated with Courts & Co., 25 Broad Street, New York City.

Joins Hunter, Parker

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Victor Dykes has become associated with Hunter, Parker, Connaway & Holden of Portland, Oreg. He was formerly with the Value Line Fund Distributors, Inc.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

WAUWATOSA, Wis. — Robert H. Larson is now with Paine, Webber, Jackson & Curtis, Mayer Lotz Building. Mr. Larson was formerly with Dean Witter & Co. and prior thereto with Central Republic Company.

Railroad Securities

Virginian Railway

Earnings of Virginian Railway have held up fairly well despite the drop in bituminous coal shipments as a result of the business recession in this country, and the sharp drop in export shipments. The latter movement had been particularly profitable because of the long haul to tidewater.

For the first ten months of this year, gross revenues showed a decline of 25% under the like 1957 period. The road, however, cut operating expenses by 12.8%. With lower equipment rentals, final net income dropped 37%, in spite of lower Federal income taxes. Earnings a common share for these months amounted to $2.65 as compared with $4.47 in the 1957 period. Freight traffic through the middle of November was down 24% from a year ago. The rate of decline from 1957 has narrowed recently.

More favorable comparisons are expected in coming months, not only because traffic was slipping last year, but also bituminous coal production is picking up. However, while domestic consumption of soft coal is showing improvement, there is little hope for an increase in export shipments at the present time. Stockpiles of coal are reported to be large and, with industrial needs smaller, a further dip seems probable in 1959 even under the depressed shipments of 1958. Export shipments this year are placed at 37 million tons compared with 57.9 million in 1957 and 48.2 million in 1956. In time this situation might be corrected in view of the expanded steel capacity abroad and the ability of mines in this country to compete with European mines.

The road has been able to show good control over expenses, even in face of the continuation of its equipment repair program. The operating ratio has been lowered from a high of 53.3% in January to 44.1% in October. Maintenance of way was cut sharply and through more efficient operations, the transportation ratio has been cut. With its equipment well maintained, Virginian has reduced its bad-order freight car ratio to 2.7%, or well below the industry average. The road has increased its car fleet by some 13% since 1953 and this should enable it to increase its equipment rentals as domestic traffic improves. Also, the road will be in a better position to meet shipper needs as business improves.

As of Sept. 30, cash and cash equivalents amounted to $10,790,000 and current liabilities were $11,106,000. Net working capital totaled $11,220,000 against $9,694,000 in the like 1957 period. Total long term debt maturing with a year, including sinking fund requirements, aggregates $2,300,000, well below the cash flow from depreciation of around $4 million.

The subject of a merger between the Virginian and the Norfolk & Western is being pursued by both of the roads. It is believed that substantial operating savings could be made through the elimination of duplicate facilities and tracks and better utilization of repair yards. In this case, it is believed that the management of both of the roads look with favor on the move. This is unlike some of the carriers where internal pressure is against consolidations.

White, Weld Group Offers Phila. Electric 4 3/8% Bonds at Par

White, Weld & Co. and associates are offering today (Dec. 11) an issue of $50,000,000 Philadelphia Electric Co. first and refunding mortgage bonds, 4 3/8% series due Dec. 1, 1986 at 100% and accrued interest. Award of the issue was won by the underwriters at competitive sale yesterday (Dec. 10) on a bid of 99.36999%.

A portion of the net proceeds from the sale of the bonds will be used by the company to repay bank loans obtained for interim financing of construction, of which about $40 million are expected to be outstanding by mid-December, 1958. The balance of the proceeds will be applied toward the cost of the company's construction program. It is expected that increasing demands for the company's services will require expenditures for the expansion of plant and facilities of about $34 million in the final three months of 1958, $122 million in 1959, and $91 million in 1960, or a total of $247 million through 1960.

The new bonds will be redeemable at optional redemption prices ranging from 105% to par, plus accrued interest. None of the bonds may be redeemed prior to Dec. 1, 1963, if the redemption is for the purposes of refunding the bonds, directly or indirectly, at a lower interest cost to the company than the interest cost of the present financing.

Philadelphia Electric Co. is an operating utility serving electricity, gas, and steam in southeastern Pennsylvania. Three subsidiaries own and operate the Conowingo Hydro-Electric Project, and one distribution subsidiary serves electricity in two counties in northeastern Maryland. The total area served comprises 2,255 square miles in the Delaware Valley. Electricity is supplied to a population of 3,750,000 in Philadelphia and surrounding counties, in a service area of 2,225 square miles. The gas service area covers 1,144 square miles in five counties adjacent to Philadelphia, with a population of 1,490,000, and steam heating service is furnished in the central Philadelphia business district and in portions of West Chester.

For the 12 months ended Sept. 30, 1958, the company and its subsidiaries had consolidated operating revenues of $244,777,000 and consolidated net income of $39,259,000.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Officials of banks are wondering out loud these days what to expect from the new Congress in the way of banking legislation.

Banks failed to get certain measures enacted at the last session of Congress, and they are unlikely to get everything they want in the 86th Congress starting Jan. 7. However, it is difficult to predict whether the climate will be more favorable or more unfavorable than existed during the 85th Congress.

On the face of things, it would appear that the new Congress, overwhelmingly controlled by the Democrats, would be substantially on the side of labor and less friendly toward business. However, one can never tell. One competent observer of legislation said the law-makers may fool many people. He added that the Democratic leadership may be much more cautious, because they realize that any radical departures in this Congress will rest solely upon the backs of the Democrats.

The ABA's Program

There are a whole series of bills that the American Bankers' Association would like to get passed for the good of its member institutions. No effort will be made to pass the legislation in one big bill, but via several separate bills.

The ABA, which is the trade association for its member banks, plans to actively seek to eliminate asserted inequities in the country's financial institutions. At the same time it will seek to correct the lack of uniformity which exists in the treatment of financial institutions relative to reserves for bad debts. The ABA banks maintain that the mutual savings banks get a preferred treatment status under existing regulations.

Meantime, the mutual savings banks have appointed a four-man committee, and the national banks have appointed four members. The committees are now seeking to work out a formula designed to eliminate the inequities.

With the biggest peacetime deficit in history facing the Department of the Treasury, officials of the Treasury are against lowering any taxes at this time. As a matter of fact, Treasury officials would like to see some taxes raised until the financial dilemma can be solved. At the same time it is a well established and historical fact that once a new tax is levied, it is almost impossible to get it repealed. For instance, the World War II emergency taxes, for all practical purposes, have become "permanent" taxes.

Financial Institutions Act

The American Bankers Association in the 85th Congress vigorously supported the Financial Institutions Act before Senate and House Banking and Currency Committees. The Senate bill passed in March, 1957, but the proposal never got out of Committee on the House side of the Capitol. This bill will be pushed again in the new Congress.

Some of the provisions in this proposal are regarded as necessary to the future growth and prosperity of national banks. Under the proposal a national bank would be authorized, by a vote of shareholders owning two-thirds of the common stock, to issue preferred stock of one or more classes with or without voting rights in such amount and with such par value as shall be approved by the Comptroller.

The American Bankers Association supports the principle that national banks should have authority to issue preferred stock not limited to emergency situations, on the grounds they should have greater flexibility in meeting their capital requirements.

Stock Options and Mergers

Under the stock option plan section of the bill that is expected to be revived, a national bank would be authorized to grant options to purchase, and to issue and to sell, shares of its capital stock to its employees without first offering such options to its shareholders for such consideration, not less than par value, and upon such terms as would be approved by its board of directors, by a vote of two-thirds of its shareholders, and by the Comptroller. The ABA has recommended authorization of the stock option plan for national bank employees as an aid in recruiting and retaining personnel.

One of the first pieces of banking legislation likely to gain attention in Congress would be to regulate bank mergers under Section 7 of the so-called Clayton Act. Certainly bank mergers create problems. Representative Emanuel Celler, Democrat of New York, sponsored a bill at the last session which would have amended the act to cover mergers through asset acquisition. The Cellar proposal would call for a pre-merger announcement.

Patman's Proposals

Some qualified observers of banking legislation predict that Representative Wright Patman of Texas, a ranking member of the House Banking and Currency Committee, will conduct an inquiry into the Federal Reserve System and some of the big banks. Twice before he has sought these inquiries, but without success. During the 1958 session he proposed by resolution that the Speaker of the House appoint an 11-member Select Committee on Monetary and Debt Management Policies.

Under the Patman resolution, which probably will be reintroduced in the next session by the Texan, the Committee would have had subpoena powers require the attendance of such witnesses, plus the production of books, records, correspondence, papers and other documents which the Committee deemed necessary for such an inquiry.

Should Representative Patman be granted his investigation, he unquestionably would delve deep into the ramifications of the Federal Reserve System and the role it places relative to interest rates and credit availability in private banking institutions.

School Bonds Supported

The United States Chamber of Commerce declares, with facts and figures to back up their observations, that the Nov. 4 general election proved that local areas are ready and willing to provide for public education needs. Bond issues totaling more than $373,000,000 or more than 82% of the dollar value of bond issues proposed, were approved. Furthermore, the money to be spent on education represents more than 71% of the 172 bond proposals actually presented to the voters.

The Chamber of Commerce feels, and rightfully so, that the bond issues approved should be an answer to the shoutings among an element of the "liberal wing" in Congress that the Federal Government should step in and help build classrooms.

As a matter of fact, the local and state governments, despite the lack of tax resources available to them, are better off, generally speaking, than the Federal Government which is staggering under a debt that appears headed for the $300 billion mark in the immediate years ahead, unless something is done about it.

Work at Local Level

In its research, to reinforce businessmen in their efforts to keep control of the schools at the local level rather than from Washington for the bureaucrats to handle, the U. S. Chamber of Commerce says total classrooms in the public school system of this country increased from 700,000 to 1,200,000 in the past 11 years. Also more than 25% of all classrooms now in use were built during the past five years, and more than 40% were built during the past 10 years. The average salary of teachers increased from $3,010 to $4,650 in the past seven years.

There appears no doubt whatsoever that the leadership in the local communities over the country are absolutely ready and willing to levy more taxes and spend whatever money is necessary for more classrooms when such rooms are needed. If the Federal Government is allowed to encroach on the schools it will be but a matter of years until Washington will be telling a school 1,700 miles away how it should operate its schools. Nevertheless, a concerted effort appears certain to be made in the next Congress to provide Federal aid for building classrooms. Such a proposal should be buried in committee.

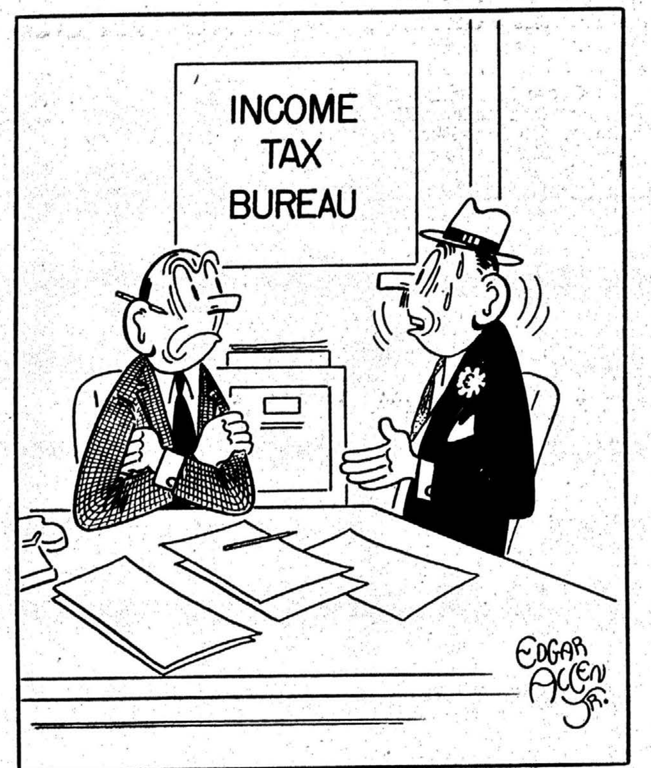
[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

Vincent Cioffi With Hill Richards & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Vincent Cioffi has become associated with Hill Richards & Co., 600 California Street. Mr. Cioffi was formerly with Wilson, Johnson & Higgins and Evans MacCormack & Co. Prior thereto he was in the investment business in Florida and New York City.

BUSINESS BUZZ



"—and Boodle Company is a subsidiary of Snagbottom and Company which is a subsidiary of Flapnoodle Company which is a subsidiary of—"

Business Man's Bookshelf

American Metal Market Annual Classified Supplement with Buyers and Sellers Directory — American Metal Market, 18 Cliff Street, New York 38, N. Y.

Commercial & Business Films, 1959—Audio Visual Aids Service, Division of University Extension, University of Illinois, Champaign, Ill. (paper).

Job of the Federal Executive—Marver H. Bernstein—Brookings Institution, 722 Jackson Place, Washington 6, D. C. (cloth), $3.50.

Richest Man in Babylon Tells His Secret — Booklet of financial principles—Prentice-Hall, Inc., Englewood Cliffs, N. J.—paper.

"The 'Whole' Story of American Bank Checks"—Booklet tracing methods used by American banks to process checks beginning with the first chartered United States Bank in 1782 until the present day—Cummins-Chicago Corporation, 4740 North Ravenswood, Chicago, Ill.—on request.