We Must Preserve the Dollar's Integrity

By WILLIAM McC. MARTIN, JR.*
Chairman, Board of Governors, Federal Reserve System

Federal Reserve head stridently declares we must cease printing paper dollars, issuing U.O.U.'s, engaging in non-recessionary deficit financing, and succumbing to the belief that we assist the unemployed by flooding the country with a stream of easy money or by artificially preventing rising interest rates during recovery. Speaking with an added perspective gained from a recent trip abroad, and reiterating important questioning of our fiscal and monetary integrity exemplified in the American dollar, Mr. Martin warns "the battle against inflation is not easy to win...and we can afford to pay what we spend, and we must realistically produce more tax revenue or reduce priorities of certain expenditures."

During the past year, we have had both recession and recovery and now, as a general rule, unemployment has been less or at least no worse than during the depression. The best efforts of the Federal Reserve System to explain its objectives and point of view to the general public, questions are again arising as to the basic purpiles of monetary authorities. These queries are legitimate, but the answers have not been repeated. The Federal Reserve System is designed to regulate the supply of money in order to foster high levels of employment and stable prices. Stability is not an end in itself but a means by which this higher standard of living can be attained and without which a lower standard of living becomes inevitable.

From time to time the charge is made that the Federal Reserve is seeking a recession, but it cannot be true, to see a little unemployment. Certainly nothing could be further from the truth.

*An address by Mr. Martin before the Executives' Club of Chicago, Chicago, Ill., Dec. 12, 1948.

The Investment Bankers Association of America Holds 47th Annual Convention

Bankers elect William D. Kerr as new President, and ponder problems as impact of inflation trends on government and private financing; business outlook; and our vulnerability in cold war. Addresses by retiring and incoming President; Gen. James M. Gavin; Hon. Edward N. Godfrey; J. Erik Jonsson; Committee Reports, and other Convention developments given herein.


THE NEW PRESIDENT

Mr. Kerr is a native of Chicago (born July 27, 1904) and the second member of his firm to serve.

Continued on page 76

The Canadian Bank of Commerce (Rights Remaining March 17, 1959)

We offer to buy these rights at the current market, direct private wire to Toronto, Montreal, Winnipeg, Calgary, Vancouver, Victoria or Halifex.
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 recommendations favoring a particular security.

(The information in this forum is not intended to be, nor may it be regarded as, an offer to sell the securities discussed.)

STANLEY HELLER
Stanley Heller & Co., New York City
Members New York Stock Exchange and American Stock Exchange.
New York City

The Hertz Corporation
It is still difficult to choose "performance" as a criterion for selecting dealers, as stated a year ago, soundly financed and efficiently managed enterprises abound in America. Such a choice, stated on a productive basis, should be based upon outstanding leadership in one or more of the many fields of private enterprise—upon one revolution in production or discovery.

Upon this premise, or premises, today I choose the Hertz Corporation, America's pre-eminent today in the field. Two factors are basic in the firm's success; first, the sound financial base, and second, the spirit of the people that have, over the years, established themselves as leaders.

Among the firm's best known is John D. Hertz, who conceived the idea of offering, for rental, the passenger car, and the unique DRIV-SELF Plan. When first it was broached, it was considered impossible that a business of that kind could succeed; and that the experiences then that I have accumulated since, and had found for Hertz's idea, will be a millionnaire—to use the words—amazing.

It was some 30 years ago, about the time I established my own firm in the field of car brokerage business, that John D. Hertz acquired through the Dr. Hertz & Co., American his Yankee Cab manufacturing business. From manufacturing for others, he then moved on to the combustion of taxis as a natural extension of his franchise, and led the industry in the field of taxis as a natural extension of his franchise, and led the industry in the field.

Then a second step was taken. Transferring Hertz ideas—offering taxi service to customers, Hertz made the essential, and now, when the industry is ready to turn to new bases.

But it was objected that "taxi-cabs will white out the business, and the vehicle will be unprofitable to the customer; and thus the customer is a potential loss of business.

However, with the advent of the taxicab industry in the United States, and with the advent of the taxi-cab itself, the industry is ready to turn to new bases. The industry is ready to turn to new bases. The industry is ready to turn to new bases. The industry is ready to turn to new bases.

The Hertz Corporation was successively executed in an out-of-town newspaper that the company was unable to maintain its policies. It reads as follows: As low as $76, a month, Full Maintenance; No Capital Investment; Tax Advantages; No Unforeseen Expenses, for all Vehicles, New or Used; Driv-SELF Car Plan of Your Own; at Your Own Speed; We Provide Complete Insurance; You Pay for only Gas.

Another recent development has been the popularization of the Associated National Commercial Corporation, of which the American Express Company is one of the leading firms. The corporation has made a substantial capital investment in Hertz stock with the express purpose of securing the formation of the corporation. The company has now a fraction over seven cents on every dollar of passenger cars in five or six years.

The stock of the business was originally issued and sold to the public through an out-of-town newspaper that the company was unable to maintain its policies. It reads as follows: As low as $76, a month, Full Maintenance; No Capital Investment; Tax Advantages; No Unforeseen Expenses, for all Vehicles, New or Used; Driv-SELF Car Plan of Your Own; at Your Own Speed; We Provide Complete Insurance; You Pay for only Gas.

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The Business Outlook for 1959

BY GORDON W. MCKINLEY

Director of Economic and Investment Research, Prudential Insurance Company of America; Newark, N. J.

I first devote a brief period to a review of the recession in early 1958 and the recovery in the last half of 1958. This year will enable us to get clearly in mind where we stand today, before turning attention to probable happening in 1959.

In the table below, the Federal Reserve Board has entered the principal economic measures for each quarter from the beginning of 1957 to the third quarter of 1958. I have also included my forecast for the present fourth quarter, along with an estimate, in the last column of the table, of the probable first half of 1959 figures. The first official figures for the first quarter of 1959 should be available by the end of January. I include the estimates in the table, but will not be quite so close to the official data when it is released.

Let me say just a word about the line headings at the left of the table before describing the figures. The table—gross national product—is the best overall measure available to us of total economic activity in the United States. As you know, the gross national product is the total value of all the goods and services produced in the United States in a year. The next seven lines—from inventories down through consumer spending—show the major segments which go to make up the gross national product. Below that, I have included the Federal Reserve Board index of industrial production, which measures the physical output of our manufacturing industry, and also showing the number of work weeks in the economy.
"Shall We Repeat the Mistake of the 1920s?"

By Lewis W. Douglas

Chairman, Mutual of New York

Former U. S. Business Manager and Ambassador to Great Britain

Mr. Douglas forthrightly asserts that the problem of preserving the fragile stability of exchange rates requires maintenance of foreign aid to protect our economy against the recurrence of conditions caused by exchange rate defaults in the 1920s. Termed this a cost of protectionism, which would be with us even in the absence of military threat from abroad, the insurance head pleads that the otherwise commendable objectives of economic nationalism are best left to the hands of the legislatures. He observes: (1) our surplus trade account is probably the largest of any country which our modest reduction of trade impediments has not lessened; (2) conservatives must face the realities in order to avoid intervention; and (3) despite claims of loss of friendship, this policy strengthens the economies of NATO countries.

If we review objectively the course of history over the last half century, I think we must conclude that the period is one of the most revolutionary in modern times. The changes in the structure of society, within the frontiers of national states, we can identify as being both a radical exaggeration in basic social structure as in both magnitude and character.

Within the sphere of international affairs the environment has changed no less strikingly. Never in the span of time has the international order been under more fundamental attack. Never in such a short span of time has there been such a migration to the East and to the West of the centers of power. Never in such a short span of time has there been such an awakening of the people of all parts of the world. Never in such a short span of time has there been such an awakening of the people of all parts of the world.

The problem of the conservative is to identify those national forces that are operating to help to consolidate and expand, in the fundamental principles upon which American society rests. Such, for example, is the right of the individual to save and to spend, to invest, to make a profit or sustain a loss, to enjoy the basic human privileges of speaking one's mind, of seeking redress of the God of one's own choice, of owning property, of preserving the rights of minority, indeed of all the basic concepts of our Constitution.

Another aspect of the problem to which the conservative should attempt to adjust his mind is the increasing general view held by many people that it is in the national interest to intervene in economic affairs in order to attempt to arrest or partially offset developments through the operation of the business cycle. This view is more and more widespread among governments. It is possible that creating problems far greater than the ones governments undertake to solve. But it is certain that the years and the experience will adduce examples which demonstrate that it is not in the public interest to attempt to cure these deficiences which are not in the public interest to attempt to correct.

Dr. Arthur Burns has spoken of this problem wisely and wisely is the alternative to the current economic policies of our day.

There are many other examples which illustrate that the conservative should adjust his intellectual processes which could be cited if the scope of this paper allowed. It is a matter of common knowledge the influence in the development of the actual situation. It is in this context of a society much more complex and congested and the Albert Baban of the Second World War and its aftermath, the situation is much more complex than it was in the past, and the problems of any government are much greater than they have been in the past. This trend, as we have our connections with the world, is likely to affect not only the opinion of the world, but the power of the Federal Reserve System, to control it.

JAPAN

INVESTMENT OPPORTUNITIES

Perhaps you can't read Japanese, a great many people can't; and even if you can, you're away from the scene and want information.

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The upturn in steel demand is gaining speed and the big push will really take hold after the turn of the year.

Steel prices were in the prediction of a continuing betterment of the steel market, "The Iron Age" on Wednesday of this week stated that steel prices are rebuilding momentum. The result of this is adding that it will develop a full head of steam in the first and second quarters of the year.

Steel order backlogs, it noted, are mounting and shipments also are increasing, but incoming orders are such that mills are expected to run at full capacity. One mill reports its backlogs are up 23% over a month ago.

It further noted that demand from the auto industry is good and improving. Some auto firms already have made plans to step up their supplies over the next three months and have passed the word strongly to the mills that the steel ingot rate might drop due to the increase in capacity.

Automotive production last week declined below that of the previous week as a result of labor strikes at Chrysler Corp., which, the government, indicated, the government achieving a settlement.

On the other hand, such car manufacturers as General Motors, Chrysler Corp. and Studebaker-Packard stepped-up their assembly output last week.

In the electric industry, kiholau production again set an all-time output record exceeding the previous high record of the week before.

Trade volume in the latest week also showed improved, spurred by cold weather and sales functions, by increasing the level of the same period, a year ago. Christmas shopping is now its height and merchants look for a record volume of sales for the season.

The employment situation in the week ended Dec. 6 shows that new claims for unemployment compensation increased 8,400 to a total of 290,000, the United States Department of Labor reported.

The rise, attributed largely to layoffs in outdoor work affected by the weather, was nevertheless considerably larger than the 67,600 increase in the like week a year ago. At that time, new claims totaled 386,100.

Inflationary unemployment compensation also increased in the week ended Nov. 29, the latest for which reporting was available. The 116,900 rise to a total of 1,573,700 was also largely seasonal, according to the Labor Department. This increase brought the rate of insured unemployment to 4.5% of those eligible, up from 4.3% the week before. A year earlier, the rate was 4.1%.

In the automotive industry the past week, Chrysler Corp. labor troubles stopped the industry from reaching a 1958 production high, "Ward's Automotive Reports" said.

The statistical publication estimated the past week's car output at 142,000 units. Normal Chrysler operations would have sent 170,000 cars to market during the week, which would have produced the 1958 high of about 147,501 set two weeks ago.

According to the agency, 36,300 United States and Canadian employees of Chrysler are idle because of strikes and production holds stemming from strikes. Only corporation assembly plants working five days the past week were Imperial and Dodge Truck in Detroit.

In contrast to Chrysler's subdued activity, General Motors, continued on page 101
A VISORION SANTA CLAUS AND GOD'S CHILDREN

To some people who have never been blessed with much imagination, Santa Claus may be only a commercialized myth and not a flesh-and-blood personage. But who will deny that the jolly old gentleman is one of the most delightful personalities ever conceived in the minds and hearts of children, little and big?

Who is there that is not witness to the fact that Santa's mystical presence and kindly actions have never soared the soul of a single child and that Santa has bestowed his jollity and goodness in the breast of every Mother, Father and Child, I who would just make believe?

It takes imagination to penetrate the mysteries of nature, the skies, the constellations and the innermost secrets of the earth. Yes, it is man's imagination which has built empires and nations, and implanted the spirit of freedom in our own beloved United States of America. It is imagination which has created the great paintings, written the great plays and operas, and given voice to the devout spirit of poesy.

And it is through imagination that man has explored the unknown and wrested from nature the secrets which have made possible the wonders of modern mechanical progress. Imagination can truthfully be said to be responsible in great part for man's most notable achievements in all departments of life. For without imagination—fairy tales, dreams, romance, love, wended bliss and poetic instincts—this old drab and prosaic world would be commonplace indeed. So let us not destroy our children's love of fairy tales, make believe and Christmas sentimentalities.

If imagination is a positive force and inspiration in our lives, then there is nothing more real and vital in the lives of little children than Santa Claus, and there is nothing more real than the millions of loving Fathers and Mothers who are veritable Santas to their beloved ones all year round.

Anyone, who makes one of God's children happier with a smile, a kiss, a caress of love, or who shares friendship and human kindness with a distressed and deserving stranger, is a Santa in fact as well as in fancy.

To rich and poor, young and old, who are imbued with the Christmas Spirit, the visionary Santa Claus of our dreams is as real, true and personal as was Jesus, when He uttered these memorable words: "Suffer little children to come unto me, and forbid them not, for of such is the Kingdom of Heaven."

May each of us, at this Christmas be a Santa Claus to some distraught, needy or neglected soul of our acquaintance and by befriending one of God's little children!

ALEXANDER WILSON

*Member of The Chronicle's Editorial Department.

A.T. & T. Announces 3-for-1 Stock Split

The board of directors of American Telephone and Telegraph Co., initiated action, Dec. 17 to split the stock of the company on a three-for-one basis. The proposed stock split will be submitted to the share owners for vote at the annual meeting to be held on April 13, 1938. It is expected that the additional shares resulting from the split will be distributed about June 1, 1938, and that the first quarterly dividend payment on the split shares will be made in July 1938 at the annual rate of $3.30 per share.

The board expects that the proposed action will make the company's shares attractive to more investors and therefore widen the market for the company's stock. It will strengthen the position of the company in competing for the huge amounts of equity capital that will be needed in the future to meet the nation's requirements for telephone service in our expanding economy.

For the three years the Bell System has spent $2,000,000,000 or more per year for new construction, the major part of this has been raised through the sale of equity capital. Shares of this magnitude are expected to continue. This is considerably more than has been spent by any other privately owned corporation. It has furnished employment to many thousands of people and has provided a beneficial effect on business conditions throughout the country. If the company is to continue these large and important construction programs, it is necessary that the market for the company's stock be essential.

Morris Mather Jr.

V.P.-of Blyth & Co.

CHICAGO, Ill.—Morris Mather Jr., has been elected Vice-President in charge of sales in the Midwest for Blyth & Co., Inc. It is announced by the investment house. He was made a member of the firm's headquarters in the Chicago office, 163 South La Salle Street.

Mr. Mather started with Blyth in 1927 and remained with the firm until 1940. He rejoined Blyth in 1953 and was named Sales Manager in Chicago in January, 1954.

From 1940-47 he was a partner in Mather & Mather, Inc., a securities dealers, and from 1947-53 Mr. Mather was with Carl L. Pettit & Co., investment counselors, in New York. He spent two years in the U.S. Navy during World War II.

Observations... By A. WILFRED MAY

SILVER LINING

To this column, the current New York newspapers' strike troubles entail at least one consolation. The merchant publication of their publication of daily stock market quotations has been serving to further the indoctrination of the investing community.

Surely avid eyeing of the stock table, other than buying or selling, selling or buying decision concerning an individual issue, is wholly inconsistent with constructive long-term value-seeking investment policy. Thus, in advising on how to read the financial news, we have suggested confining the reading of the intriguing stock table to a once-a-week maximum. In an event, or incident, to follow the investor's price after you have bought it; surely, that severe mental anguish for the investor, who has been sold it is to be avoided.

Incidentally, the presence of some investment along with the numerous speculative attributes in the current bull market, is indicated by the eight-point net rise of the Dow Jones Average midst the ten-day absence of most newspaper market quotations here.

FEET-WETTING IN STATISTICS

What a long way the use of statistics has come since its 17th Century beginning in many men. Who could have thought of the importance of Galileo by Italian gamblers to study the probabilities in throwing dice, their use is constantly hamming out to all and sundry, now ranging from the stock market community of course, to the television industry, with its advertising associates dependent on Hooper ratings for findings.

Of the many books on statistics, most are: written for the producers of statistics; that is, those who make the studies, surveys, and experiments that are scientifically conducted. But there is a real dearth of literature suited to the consumers of statistics, those who need to know the exact statistics, who require a grasp of its fundamentals, including terminology, and the ability to appraise the experts findings. This void in "consumer's consumption" education is now filled by the breech in a new volume, A Primer of Statistics for Non-Statisticians, by Abraham N. Fraenkel, Harcourt, Brace, New York; 100 pp. $3.50. A psychiatrist, he is presently Dean of the School of Education, Hebrew Union College, Jewish Institute of Religion, in New York City. As one who once aspired to be a mathematics professor and attended Free Institute for training in accounting, and who, as the reporting the expert statistics, who were acquiescing for a M.D. Dr. Fraenkel is an ideal individual to write such a statistics primer.

In any event, the end product embodied in this volume constitutes a most valuable gift of the bull rise which is intended. The uninitiated will get to understand what formula produces, rather than how to use a formula to make it produce. Each formula under is clearly and carefully analyzed; and it is explained why a particular one is used. A separate section of "Questions and Answers" of the close of each chapter is helpful in permitting the reader to try, on his own hand at the material. And there is a very healthy chapter embodying "suggestions for further reading" in mathematics and statistics.

Surely fortune is it that the void has been met by one of Dr. Fraenkel's versatile background and capacity for clarification.

BULL ON OUR CIVILIZATION

Formerly a journalist and economist for British banks, and in recent years a bank and investment officer, level management consultant, Peter Drucker is in a fortunate position to survey the

Luttrell Maclain To Be Paine Webber Partner

On Jan. 1 Luttrell Maclain will be admitted to partnership in Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the Exchange and Paine, New York Stock Exchange and other leading exchanges.

A. T. Matthews With Laidlaw in Montreal

MONTREAL, Canada—Allan T. Matthews has been appointed Assistant Manager of the Montreal office of Laidlaw & Co., Royal Bank Building.

Mr. Matthews was for 12 years with The Bank of Nova Scotia in Canada and New York.

Joins Graham & King

BOSTON, Mass. — Joseph C. Kiernan has joined the staff of Graham & King, Inc., 16 Court Street.

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Where Are Our Greatest Foreign Investment Opportunities?

By PHILIP COTTERY
Chairman, U.S. Council of International Chamber of Commerce; President, Cottles Inc.

Economist-industrialist cites both political and economic overtones motivating investment in under-developed countries. Statesmen find it is a way to increase untapped resources. Mr. Cotterly points out impediments to private saving and investment in under-developed nations, including imperfect markets, political instability, and family tradition, and systems of land tenure. Maintains when the political, economic and social environment of a country is favorable for domestic investment, it will also attract foreign capital. "It will not require millions of dollars...to stave off the flux of the barbarians."

The more I reflected on my subject matter the more I realized that I was still left with the problem of the subject itself. I say, "Of course the greatest foreign investment opportunities are in the under-developed countries for at least the next 10 years."

A few days ago I read in the newspapers that several large American companies have been investing heavily in under-developed countries. This investment has been aimed at producing oil, which can be used to produce goods. The results are not yet known, but it is probable that this investment will be successful.

I also began to wonder what is meant by "under-developed" countries. Is there any such thing as an under-developed country? Some people, especially those concerned with government, speak about investment in under-developed countries as a way to improve the situation. Others believe that investment in under-developed countries is a way to help the people of those countries.

Yet others, for instance Nehru himself, contend that more important is the division of the world into communist and non-communist countries. He believes that the division of the world into the two camps is the key to understanding the world. He believes that the division of the world into the two camps is the key to understanding the world. He believes that the division of the world into the two camps is the key to understanding the world.

We are told that China and the United States are the two countries that have the greatest potential for investment. We are told that China and the United States are the two countries that have the greatest potential for investment. We are told that China and the United States are the two countries that have the greatest potential for investment. We are told that China and the United States are the two countries that have the greatest potential for investment. We are told that China and the United States are the two countries that have the greatest potential for investment. We are told that China and the United States are the two countries that have the greatest potential for investment. We are told that China and the United States are the two countries that have the greatest potential for investment. We are told that China and the United States are the two countries that have the greatest potential for investment. 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We are told that China and the United States are the two countries that have the greatest potential for investment. We are told that China and the United States are the two countries that have the greatest potential for investment.
Aimants and Altitudes

By DR. IRA U. COBLEIGH

Entomologist

A ground observer's view of air transport lines in general and the current position of certain common stocks in particular.

In a share market carrying electronics and pharmaceuticals, American Motors Corporation's stock has been uncustomed and unraveled altitudes; and Eastern Airlines' Jones average, in the past four years has been at 1.2 oxygen "zone", the altitude at which the scattering of the lines by listed analysts and ad\xc3\xa8pters has shown no selective speculative interest; up to now, however, this stock has sold so fast to have reached so high. This may well be explained by the sensing of rising costs of fuel, labor, and wages in recent months. The airlines have been forced to recognize the costs of rising operating costs, but to provide a better earnings situation the Commission granted an increased rate of jet traffic.

Ohio Air Lines showed the best improvement in earnings during the first half of the year, and the market was also increasing. The price of jet service increased by $1.20 in 1977, to $1.16 for the corresponding six months in 1978. This improvement was important. For a few months of the "jet era," stocks were selling for much less than the current share price of 29. The 1975 high was 138.

Among the most promising lines, in a long range conjecture, is Delta. It is well managed, has recently purchased important and major new routes, and has shown a rapid expansion in gross revenues. Delta total revenues in 1977 were $70 million. They should be substantially higher this year. Delta sales were at $4 million at the end of 1978, a book value over $30 a share and paid a 3% dividend this year. It sells well below its 1985 high of $26 when its long range prospects were considered favorable.

The above four are generally regarded as unsold equities in today's market. For those of a more speculative turn of mind a study of Trans World Airlines, Inc., at 8.5$ and a S2.60 dividend, this stock looked at the 1985 price of $19.5 million. They have interest in certifying convertible debentures available at substantial discount prices.

Airline equities are not the for conservative investors, seekers of steady income, or trustees. They do have considerable attraction for speculators today, however, since they have (with the exception of Pan American) not been sold in the forward motion of the market in recent years. The airlines now offer a high and possess many underlying factors suggesting an important rise in earning power within the next three years. A powerful element of growth exists in the air transport industry. All that is required is to start translating that growth into earnings, and airline equities may be invited to join the bull market.

Top Executive Changes at Stone & Webster

At a meeting of the board of directors of Stone & Webster, Inc., the resignation of William Crawford as chairman of the board was accepted effective Jan. 1, 1969. He will continue as a director.

Stone, formerly president, was elected chairman of the board and chief executive officer, and Richard N. Benjamin was elected president and a director, both effective Jan. 1, 1969. Benjamin had been president of Stone & Webster Service Corporation.

At a meeting of the board of directors of Stone & Webster Service Corporation, Mr. Benjamin was elected chairman of the board of the Service Corporation and Peter J. Rempe, who had been senior vice president, was elected president, also effective January 1, 1969.

Interest Exempt from Present Federal and New York State Income Taxes

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<thead>
<tr>
<th>New Issue</th>
<th>Due Date</th>
<th>Amount</th>
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<tr>
<td>$8,750,000 Town of Hempstead, New York</td>
<td>December 15, 1958</td>
<td>$8,750,000</td>
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Town of Hempstead, New York
3½% Various Purpose Bonds

Dated December 15, 1958

Principal and interest (March 1, 1959 and semi-annually thereafter on September 1 and March 1) payable at the office of the Bankers Trust Company, New York City at the Bankers Trust Company, Coupon bonds in denomination of $1,000 (except two bonds for $800 each), convertible into fully registered bonds.

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These bonds, to be issued for Public Parking, Water District, Park and other municipal improvements, in the opinion of counsel will constitute valid and legally binding general obligations of the Town of Hempstead, N.Y., and have been approved by the Board of Trustees of the Town of Hempstead, N.Y.

The above bonds are offered when, as if issued and received by us and subject to prior sale and approval of legal opinion by Messrs. Heron, Deloit, Deloit & Wood, Attorneys, New York, N.Y.

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continued from page 5

Observations...

American politico-economic scene. This has been doing pro-

vocative work in the past as the result of his own expanded dis-

cussion and with the help of the political and economic situa-

tion. His work is not only for the benefit of the public, but also

for the benefit of the political leaders themselves. In the last

few years, he has been working on a book on the political and eco-

nomic situation in the United States, which is to be published this

year. It is expected to be a valuable contribution to the study of

American politics.

In this volume also, he has made a number of important

points. He has shown that the political and economic situation

in the United States is not only a reflection of the world situa-

tion, but also a cause of it. He has also given a detailed analysis

of the political and economic situation in the United States, and

has shown that the United States is not only a major power in the

world, but also a major influence on the world situation.

The first of these views contains a discussion of the new

power to organize men of knowledge and skill for joint

effort through responsible judgment. The second part deals

with the coming of Economic Society, the emergence of Eco-

nomic Development; the decline in the government's and nation-

state's ability to govern; and the alleged collapse of the "East,"

that is, of non-Western culture and civilization, and society's

increased dependence on Western formalizations. The third part

is concerned with the fact that both knowledge and power have

gained the capacity for absolute destruction, for the first time in

our civilization.

The author in his introduction expresses the hope that

his book accomplishes the aim of conveying to the reader the shock

of reality. The book is not only a valuable contribution to the

study of American politics, but also a valuable contribution to the

study of economic development.

In conclusion, the author expresses the hope that his

book will be a source of inspiration to all concerned with the

political and economic situation in the United States, and that it

will be a source of inspiration to all concerned with the political

and economic situation in the world.
Federal Reserve Bank of St. Louis

Well-known tax authority in Congress deals with the question as to how the nation’s financial program is supposed to be spent; proposes that the budget appropriations and functions be properly evaluated; and favors increasing tax revenues instead of deficits, and would first taxing ways and means. The task is critical, Mr. Miller suggests, and the tax base, removing special deduc-
tions and preferences, and increasing rates on some specially favored incomes as the first to raise tax income. He warns of the dangers in building up too many balanced budgets, depletes economic decisions based on taxa
tions rather than on market considerations, and alerts mutual sav-
ing banks and other tax-favored activities they are a future

My first observation on the problem of economic growth is that a flexible monetary and fiscal policies individuals are getting stabili-

ity in output making contributions to economic
growth. The flexibility of our monetary policy in this regard has been test-
ed in the past 12 months and both bright and dark as-
pects of the results. In the first place, it should be noted that in the fall of 1957 and the winter of 1958, when the economy was exposed to a very consider-
able degree of uncertainty, the Federal Reserve’s monetary outlay declined by about $20 billion in a manner of six months. On the other hand, the experience of previous experience this would have been expected to result in even a very long depression and many were thus subject to a down-turn but one of stable proportions and duration. These and others hasten to show that the immediate tax reduction to soften its impact on the economy. The economic enough consideration was given by this point of view to one of the built-in factors of our fiscal sys-

Considerable credit to the fact that we did not have a serious depression must go to the automatic support of tax receipts with declining consumer income and business income. The automatic decline in government tax revenues meant that at a time when individuals were losing income in the market place, the government was taking less of their income in taxes and the availability of dollars for private expenditure was held in a recession. This meant that the judgment that tax reduction was not necessary to bring about this stability in an upturn has thus been vindicated.

In this regard it gives me some concern to be exploring the possibility of new and now speaking about the desir-

ability of adopting a different tax policy that would provide a more stable source of revenue to the Federal Government. The banking community is familiar with the function that a bank must have a bank of last resort. This is a bank in which time of financial panic is in a position to expand its loans when other bankers are faced with the necessity of reducing their loans to obtain more liquidity. It is a generally accepted principle today that government, specifically the Treasury, can and must act in a way in times of a general rece-

sion. In this situation, the Treasury revenues do not automatically go down, I believe there will be great pressure on the Government to lower the Treas-
ury function through undertaking a budgetary expenditure program or tax reduction or both, as a means of achieving economic growth.

On the less bright side of our recent experience there are two questions we could have done better? We spend a good deal of time these days discussing the nature of the very impressive way that we have handled the recession and have so far moved toward full employment. On Nov. 1, 1958, the unemployment rate was 5.1 percent, which is a very high rate. But it is the rate of unemployment the fiscal policy was utilized in supplementing the in-
effective manner to create more jobs. It is always easier to believe that at a later that the full force of mon-

etary policy came into play. Expended

Expenditure Programs Can Contribute to Economic Growth

I think it is not sufficiently appreciated that well-chosen and worthwhile government expenditure programs make an important contribution to economic growth. Our national economic accounting framework attaches a value to the assets that the government invests in the future. By continuing to increase in knowledge and in numbers and a cutback of some programs. Thus, I think a promising feature in the expenditure area is the possibility of improved budgetary procedures. Ideally, the "First: The Hoover Commission has been and is expected to be an important contribution to our economic growth. Therefore, the government's role in the economy today is just as important, if not more important, than ever before. And it is important that we consider the impact of government expenditure programs on the economy.

Taxes and Economic Growth

The mention of taxes brings up the question of inflation. The secular trend in the levels of inflation with which the savings bank industry is particularly concerned. Our prime element in inflation is the relationship of our expenditure policy to our tax policy. The experience of recent years indicates that the fiscal and monetary structure for determining both tax and expendi-

recommendation. The

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Does the U.S.A. Gold-Outflow Strengthen the Free Countries?

By FALL ELNIZO

Dr. Elnizio asks those who favor various egalitarian schemes to redistribute our gold, and who favorably regard the status gold outflow, to be a bad thing. He explains why depletion of our gold stock may not necessarily strengthen all free countries in the same proportion and, should it continue to a danger point, may cause a panic for the free world. Indeed, the reminder that we should not fritter away financial resources to enable well-meaning, friendly countries to avoid the realities of their economic situation, and that our aid should be only for major emergencies.

LONDON, Eng. — Most economists agree that the gold outflow from the United States is a dangerous development. The American gold reserve has been going at a rapid rate since the First World War, that it has been reached the axiomatic that any outflow of gold from the United States must necessarily be a bad thing. Again and again in newspaper and magazines plans were put forward by experts and pseudo-experts, aiming at the redistribution of America's gold, and the United States came to be criticized from the increase in gold, and the United States is unwilling to agree to such a redistribution.

Dr. Paul Elnizio

Is Gold a Loss a Good Thing? This is, however, a much more convincing argument against the view that a substantial loss of gold by the United States is a good thing. It is from the point of view of the free world the maintenance of the supreme financial power of the United States is of paramount importance.

During the coming gold outflow, the United States government must assume the responsibility of the economic emergency. It is apparent that there is no criticism that the United States is strong enough to help other countries, that it can assume the economic offensive toward such weak links. For instance, a concerted Soviet effort in Britain's gold market is likely to deprive the British gold reserves in a relatively short time. Under existing conditions the United States would undoubtedly be willing to assist Britain with unduly high interest charges. An agreement, however, must be made to maintain the ratio of the gold reserves to their large gold reserves, they would be able to assist Britain without unduly disturbing the gold market. The gold set aside for the use of the United States might not be so large. The United States has set aside for the use of the United States, that the gold is not as strong as the gold reserves, I should like to say. This is the agreement for the aid of the United States. The United States, which would be better able to help other countries, to become the gold reserve. If it is not set aside, the gold would strengthen all free countries. It should be made only strong enough to assist Britain effectively without risking an undue depletion of their own gold reserve. Nor would any of the recipients of the redistribution of American gold be strong enough to help effectively.

Trusteeship Argument

During the twenties American and European governments were held the gold reserves from Europe in trust for Europe. Since then the influx of European gold to the United States has been more rapid than expected, but the trusteeship argument has not been without effect. It is precisely that role that the United States are playing in a dangerous manner. The gold reserve has been increased by the gold reserve companies to whose benefit the gold reserve companies has a right. A better solution is to raise high rates of reserve for insurance companies, some measure of tax relief, in liquidation value. It is important not to point out that the gold reserve companies are exercising in making comparisons from company to company in a scheme of taking care. One will only only correctly if one attempts to compare a fire with a casualty company, that is becoming less illegal because of crosswriting.

There are many reasons for the desire among them, the vast amount of gold that has been gold. It is important for us to see the actual gold in this country, and the gold in the United States has more gold than it needs at present. While most other countries have considerably less gold than they need. On the basis of the principle that gold is the standard of value, that has become the modern fetish, the gold distribution would be unacceptable. Nor is it difficult to make out an economic case for redistribution. Until recently the gold was more than that, the gold might be found in other countries would soon find its way back again to Port Knox. In view of the recent outflow of gold resulting largely from an adverse change in the American balance of payments, this argument is no longer likely to carry conviction.

Dealer-Broker Addressing Service

There are approximately 3,000 investment dealers in the United States. We have a mailing list for every one of these brokers covering over 100,000 names, alphabetically and geographically by States and Cities. These names cover approximately 12,000 brokers in the United States, most up-to-the-minute service available.

The list: 225 Million names, United States and Canada $7.50 per thousand. The list: 308 Million names (all brokers only) also arranged alphabetically and geographically, approximate list, $15 per thousand.

The list: 308 Million names (all brokers only) also arranged alphabetically and geographically, approximate list, $20 per thousand.

The list: 225 Million names, United States and Canada $7.50 per thousand.

The list: 308 Million names (all brokers only) also arranged alphabetically and geographically, approximate list, $20 per thousand.

The list: 225 Million names, United States and Canada $7.50 per thousand.

Kessler Opens Office

Richard Kessler has opened offices in New York City, to engage in a securities business.

Bank and Insurance Stocks

BY ARTHUR E. WALLACE

This Week — Insurance Stocks

One statistic that has been affected by the development of insurance premiums is the fire and casualty insurance companies' ability to raise rates. A decrease in fire and casualty insurance companies' ability to raise rates is for the safety of insured property. A decrease in fire and casualty insurance companies' ability to raise rates is for the safety of insured property. A decrease in fire and casualty insurance companies' ability to raise rates is for the safety of insured property.

Merrill Lynch Will Become a Corporation

As of Jan. 12 Merrill Lynch, Pierce, Fenner & Smith and 26 Pine Street, New York City, hereafter constitute a corporation. The firm is now a partnership. New officers and directors will be elected by the corporation. The firm will be named New York. From the corporation's inception the firm should be able to work out its own salvation. The corporation should be able to work out its own salvation. The corporation should be able to work out its own salvation. The corporation should be able to work out its own salvation.

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LONDON BRANCHES:
Bright Business Outlook

By DONALD B. WOODWARD* Chairmen, Finance Committee, Vick Chemical Co., N.Y. City

Mr. Woodward's appraisal of the current business cycle, long-range economic trend and, in particular, the pharmaceutical industry, is based on financial specialist opinions of 1959 will be the most prosperous year yet, the free world and communist world expansion most likely will continue for years to come at a more rapid rate than in the United States. Expansion abroad can be achieved by the adaptation of existing plants to world markets and degree than can be done in the United States: the United States is utilizing more fully the stock of present knowledge, and our progress depend -

The author points out that the risks of a downturn in the current business cycle are great because of the current situation in the present business cycle. Another is where we are in the long-term economic trend. A third is where we are in the subject to which I shall close. The fourth view is where we are in the given a definition of risk and its consequences. I shall state what seems to me to be the most important conclusions we shall end up with certain specific conclusions.

I Where We Are — The Current Business Cycle

Currently business activity, as measured by the usual indexes such as retail sales and new orders, has been lagging last spring when a decline of about 3% of a year occurred. That decline was the third in business in the United States since World War II and all three have proved brief and sharp. The recovery from the recession has been slow, with half to two-thirds of the decline in most in decline in the most extreme important—important personas, substantially a part of the losses of this past year and the total is now close to a new high.

Simply stated, the business decline from the late summer of 1957 to the late spring of 1958 was because of a reduction in the amount of goods purchased for the home and what accounts for all business declines, in this decline the declining recession occurred in the automobile and the number of automobiles, houses and household equipment purchases all decreased. In addition, the purchase of capital equipment and inventories in United States by foreigners. Factors contributing to the situation were: devaluing automobile models that did not sell as expected in the previous years, heavy burden of installment payments, increased average cost of money for financing of consumers that required higher and higher prices that prices might decline in a number of billions and, a continual slow in corporate earnings. In this all, there was the growing and the confident expectations of continuing prosperity that had existed since 1940.

But during this decline in total purchases was not as great as people thought. On the other hand, the total personal income at all, and the same view was true of the total personal savings was at a higher level than the expenditures. While government income declined there was no reduction in Federal Government expenditures despite much talk, much effort, and the confidence of the defense work that existed in the past.

Volume 188 Number 5804. The Commercial and Financial Chronicle December 17, 1958

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Copies of the Prospectus may be obtained from the undersigned or may lawfully offer these securities to any lawful market to secure these securities in this state.

* A talk by Mr. Woodward before the Pharmaceutical Manufacturers Annual Meeting, Dec. 19, 1958.
How the SBA Will Administer the Small Business Investment Act

BY WENDELL B. BARMES
Administrative of the Small Business Administration
Washington, D. C.

Essential ingredients as to what might make an investment company successful are stated in the Act. It has to meet, in view of the new small business financing opportunities opened up by the Small Business Investment Act of 1958, are discussed by Mr. Barnes. The SBA head stresses, also, the need for understanding the numerous and diverse requirements of other financial institutions, and the advantages of bank, savings and loan associations, brokerage and investment firms, to be affiliated with small business investment companies.

I am enthusiastic about the opportunities offered by the Act in giving small businesses the financing that are offered by the Small Business Investment Act of 1958. And it is our intention to help the Small Business Administration to be as helpful as possible in getting the maximum number of investment companies under the Act, to hold the necessary number of investment companies under the Act, to hold the necessary number of investment companies procedures and to work to a minimum, as much as possible, with good administration, and to put into effect the provisions for the registration of investment companies with the greatest possible dispatch.

Essential Ingredients of Success

And it is also to make certain that the companies which are organized have the best possible management that is available to them. The successful organization of an investment company, we have found from our studies, is not a simple project involving primarily the obtaining of funds from private or Government sources or from both. It involves also an extensive knowledge of business and the management of financial institutions, plus a knowledge of business, finance and other management with all of its ramifications.

The successful management of an investment company also depends upon a successful alignment of a relatively small number of investment opportunities. Not every financing opportunity, we would agree, can or can justify financing through the equity capital of an investment company which is losing money will not be eligible for additional funds in the form of credit or new capital, unless other drastic measures are made, sometimes in management itself.

If an investment company has accumulated various investment opportunities, it is likely to have a diversified and a view of what is worthwhile and may suffer the consequences through poor investments. I know of one investment company which has carefully examined more than 50 investment opportunities submitted to it and selected less than 30 in which to invest the funds. I do not mean to imply that this ratio is to be expected of all investment companies, but the ratio may have other policies.

It is also very important to recognize that investment companies must select their investment opportunities carefully so that they may appear to be a good investment, in the judgment of the general public, may or may not prove to be one in the light of subsequent events.

It seems to me that the essential ingredient of an investment company to be successful is the availability of funds in large amounts. By that I mean, if the investment company utilized in the Small Business Investment Act is a successful company, it will have a sufficient amount of capital, surplus, 0.0 on it with any losses, and made no provisions for maintaining a reserve of any kind from its own resources.

Access to Additional Funds

The company will have the ability to provide additional capital or credit to a company, which enjoys the growth expected of it, without the need for additional financing, provided it is not detrimental to the interest of the shareholders. I think that point seems obvious that I certainly do not need to develop further.

There are other requirements, of course, for operating a successful company, but it seems to me that any person planning to start an investment company under the Small Business Investment Act of 1958 will have at least a general understanding of the principles that have been outlined and the general interests that he presents in his plans and his plans, if they are not, he should consult with special experts even if they suggest otherwise.

In discussing the Act and the regulations of the Small Business Investment Act of 1958, it seems to me that the Small Business Investment Act is designed primarily to be of assistance to small businesses that have long-term needs and also to set up general agreement, for a variety of reasons, that it is to the advantage of banks, savings and loan companies, and brokerage and investment firms to be affiliated with the new Small Business Investment Act.

The only disagreement seems to occur when the specialists begin to consider the need to curb the investment activities of private individuals in the small business field. I believe that there are definitely advantages to individual investors, both in the actuarial sense and in the time nor the place to discuss in detail, but I believe that the Act might accrue to different groups.

In preparing regulations it is important that the Act be developed to develop policies which will benefit all companies with a good chance of their success without at the expense of other companies. We do not have under the regulations in the Act in the preparation of these regulations or the Act, the statutory provisions. In some cases the comments that we received on the proposed regulations have been objected to the statutory provisions and in some cases the comments have been objected to the regulations. These comments will be subject to further examination as we prepare future legislation.

Every Senator, it seems, at one point or another has been_____. back home. But it has remained for Mr. Barme______

Wendell B. Baromes

From Washington Ahead of the News

BY CARLISLE BARGER

LOS ANGELES, Calif.—Ray W. Cruttenden, President of the Commercial Chronicle, has been affiliated with Hill Richards Co., 621 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Cal__ was formerly with Marache, Doffmeyer & Co. Mr. Keitel was with Wilson, Johnson & Higgins.

Cruttenden, Pablo, To Absorb McAndrew

S AN FRANCISCO, Calif.—Carlisle Barger, well-known investment banking firm with headquarters in Chicago, will take over the business and assets of McAndrew & Co., according to an announcement by members of the Pacific Coast Stock Exchange on Jan. 1, 1969, according to a joint announcement made by Robert A. Barme, Managing Director of Cruttenden, Pablo, and David S. Tucker, President of McAndrew & Co., in San Francisco, the firm was to be continued as a branch operation of Cruttenden, Pablo under the management of David S. Tucker.

Both men emphasized that substantially all of the present staff of McAndrew & Co. will be retained.

Cruttenden, Pablo, is a member of the New York Stock Exchange and other principal exchanges. The firm maintains offices in 13 cities in 49 communities principally in the Midwest. The firm has an office in New York and a branch in New York.

Robert A. Barme, Managing Partner of Cruttenden, Pablo, who is in San Francisco concluded on the branch office. He said that the expansion of our firm’s services to the Pacific Coast area will also be able to deliver the branch office to deliver the service.

Robert A. Barme, a new, direct, Chicago-New York - S in San Francisco wire, which also extends to all our branch offices, can effect rapid service on quotation for executions for our customers on both listed and unlisted securities.
Prosperity Not Guaranteed

By Dr. EMERSON P. SCHMIDT
Director of Economic Research.
Chamber of Commerce of the United States, Washington, D. C.

Businessmen's economist realistically weighs and assesses the expansionist and contractualist forces in the economy and arrives at: (1) expansionist: 35%, (2) GNP should rise by $25 billion to reach a new high of $470 to $480 billion in 1959 and $500 billion in 1960; and (3) revival in capital goods and auto industry would give added strength to recession at $7 billion an edge but not by an overwhelming margin. Concludes "prosperity has to be earned."

Unlike a year ago at this time, the expansionist factors are stronger than the contractualist forces. Production, employment and income should rise 5% and 10% respectively. But there are several negative factors worth noting. The rate of overbuilding which started last April is continuing, but at a somewhat slower rate. Gross National Product, the best overall measure of economic activity, is currently running at a $46 billion annual rate, which is $6 billion below the first quarter peak rate of $53 billion in 1959. Real personal income, which declined over $12 billion from $331 billion in 1959 to $319 billion (annual rates), or 3.5% is running $12 to $14 billion higher next quarter. Nevertheless, total employment exceeded 65.3 million in October, about 750,000 below October a year ago. Unemployment, which rose in part to the tourist labor market, was still about 3.5 million in October of this year than a year earlier. It will rise seasonally this winter and probably remain in the high 5% range at $1953-57 both in the aggregate and as a percent of the labor force.

One of the unemployment is concentrated in the manufacturing sector of the economy; and in that sector, primarily in durable goods industries. Employment in manu facturing (October) at only 12.5 million is nearly two million below 1953.

The maintenance or increase of dividends, farm, business and professional income, interest payments and, wage rates, and the rise of transfer payments (unemployment compensation, OASDI, veterans payments, etc.) all maintain total spending in the recession in spite of a drop of about $9 billion in "labor income."

Personal Consumption

Personal consumption expenditures dropped less than 1% from the prior peak of $220 billion the recession and now are several billion dollars above the pre-recession peak. Expenditures for durable goods were the largest drop, declining from over $40 billion in the first nine months of 1958 to $35 billion in the second quarter of 1959, down 12.5%. For every $1 of consumption for durable goods, however, consumption on nondurable goods and services, Expenditures for services increased in exceeding the decline in out of the recession. Expenditures for nondurable goods and services for the second quarter of this year, exceeded the pre-recession peak, even.

The new housing starts, heavily conditioned by un cer tain political factors (EIA, VA, FHA, etc.), is of key importance. While the future rate of new starts has been revised up to about 15% from the depressed levels of 1958; All these declines trend to move with great volatility and will be watched closely in the nearest future. The productivity of the work force will be sus tained at a low rate of new starts for 1959. But the high starts rate after price in manufacturing industry, the construction of new structures and the construction of the new plants are not clear yet. But it is not clear that any strong expansion will be experienced in this sector.

McGrath-Gill's survey projects a 1% rise for 1960, but a decline of 3% in manufacturing investment in 1959. The Bank of Philadelphia projects 14% decline in manufacturing investment in metropolitan Philadelphia and 11% in the Delaware Valley. A heavy construc tion of diversified activity.

Greater Uncertainties

How much idle capacity we now have or what it may mean for net-term expenses is not known. Yet, it is difficult to attain a "planned" prosperity without a strong capital goods boom. This is true, for example, in the automobile and truck industries. But in the shipbuilding and aircraft industries, the situation is much more favorable. Consequently, there is little hope that a recovery will be sustained in these industries.

While the speed of the new starts have risen, the decline can be explained by the liquidation of inventories beginning 15 months ago and continuing to the end of 1958. Investment in inventories is the most volatile component of our economy, which is reflected in the index of business failures. A build up of inventories in 1958 to 1959, and a decline in inventories in 1959, will result in an increase in inventories in 1959, which exceeded economic activity in the economy.

Investment in inventories is the most volatile indicator of economic activity, as shown by a peak quarter rate of $57.7 billion in the third quarter of 1959 and $50.3 billion in the second quarter of 1958. A trend toward stagnation and, possibly, bottoming. It is not clear that any strong expansion will be experienced in this sector. While the construction of new plants is expected to increase, it is not clear that any strong expansion will be experienced in this sector. While the construction of new plants is expected to increase, it is not clear that any strong expansion will be experienced in this sector. While the construction of new plants is expected to increase, it is not clear that any strong expansion will be experienced in this sector. While the construction of new plants is expected to increase, it is not clear that any strong expansion will be experienced in this sector. While the construction of new plants is expected to increase, it is not clear that any strong expansion will be experienced in this sector.
The European Common Market and American Business

By Arnold R. Beardsley
Manager, European Operations
Consultant on Western Europe outlines the huge potential opportunities for American industry and commerce rapidly evolving in new economic group movements abroad and urges American business to apprise constantly this new and fierce kind of competition.

The new and fierce kind of competition is represented by dangerous position of American plants located abroad in selling within this fast-growing market and in exporting to world markets at prices more favorable than from the U.S. Mr. Beardsley also draws attention to other requirements as Europe shifts to modern mass production based on free competitive system and undertakes pooled atomic energy.

The European Common Market is a postwar development originated by Belgium, the Netherlands, and Luxembourg. These three, along with several other, Germany, Italy, and France, adopted these trade liberalizing now under way in thinking to pool efforts, talents, and financial assistance was the determination to cooperate in the utmost sense in the development of the economic industries. This organized effort is referred to as the Common Market.

This year, on Jan. 1, the European Economic Community and the European Coal and Steel Community officially came into being. Businessmen and industrialists in Western Europe and in France and Italy and the Benelux countries were mentally well prepared for this official step. The Benelux countries, following France, in 1959, had, in fact already come together as an economic unit. Following this, in 1956, the six countries, then with a trade turnover of $16 billion, consumers, had put into effect a common market for coal and steel. Contrary to widespread doubt and misgiving, the 12 member states have been successfully functioning to the benefit of all six countries concerned.

It should be born in mind that this integration has taken place with countries of quite dissimilar standards of living and wages. A rough comparison of the annual per capita share of the gross national product shows that the countries ranging from $450 in Italy, $1,260 in Luxembourg, as compared with $2,500 in the U.S.

The purpose of this integration of the common market is not only a more economic amalgamation but a growing economic world at large. How will it affect the American and other European industries not included in the Common Market? Will the American companies maintain their traditional advantages, or do the European lesser countries have good reason to carry its weight? Will Germany dominate the Market? How will the United Kingdom survive? Can Europeans really forget their history? And what does the U.S. A. think about it? These, and similar questions, are all vital, and will it make no definitive answers. But it is possible to formulate answers that countries concerned are prepared to make because of the results and the solution of problems with the passage of time.

The European Common Market and American Business is a postwar development originated by Belgium, the Netherlands, and Luxembourg. These three, along with several other, Germany, Italy, and France, adopted these trade liberalizing now under way in thinking to pool efforts, talents, and financial assistance was the determination to cooperate in the utmost sense in the development of the European Economic Community and the European Coal and Steel Community.

The United Kingdom early recognized the importance of the European Common Market and, at an early stage, was anxious to join. She found it difficult, in account of the unilateral nature of the agreements, to enter into the Common Market, but thought that it was not far enough. For this reason, the United Kingdom proposed a Free Trade Area and signed trade agreements with 280,000 consumers. The other countries, additional, the foreign sales of American Common Market, would be the far-reaching economic amalgamation of European countries, of which the United Kingdom is a part, will be the greatest among the 12 countries. The other countries, additional, the foreign sales of American Common Market, would be the far-reaching economic amalgamation of European countries, of which the United Kingdom is a part, will be the greatest among the 12 countries.

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The Economic Outlook

By HARRY A. BULLIS
Chairman of the Board, General Mills, Inc., Minneapolis, Minn.

A food industry leader envisions a banner year for overall economic activity and for the food industry in 1959. The recovery will depend upon Robert A. Bligh, Banker, recognizing public acceptance of new autos, new houses and availability of mortgage money, and increased plant-equipment expenditures. Doubt causal factors behind price rises in 1956, 1957 and 1958 will persist in 1959 and 1960 under standing and opposition to price inflation by both the authorities and the public.

December Issue of "Optimism"

The economic outlook has brightened perceptibly in the past three months, and the improvement will carry into 1959. The indications are that growth this year will represent an additional production of goods and services in the fourth quarter of 1958 will surpass the record high mark reached in the third quarter of 1957. I am optimistic enough to believe that this improvement in output will continue through at least the first half of next year and that the entire year ahead may be a banner one.

The recession of 1957-58 was the shortest and the modestest of the three postwar recessions. Its duration from the high to the low was only about six months, and the decline in total output of goods and services was only somewhat approximated to 20 billion dollars.

Personal Income and Expenditures

The maintenance of personal income at a high level was an important stabilizing factor which helped to limit the extent of the decline and speed recovery. Wage rates were kept high, even though business prices declined. By July of this year wage increases, in combination with government employees, the rise in farm income, combined with the increase in unemployment compensation payments, had sent total personal income above the record high reached in August 1957. By September 1958, total personal income was 11 billion dollars above the high mark of a year earlier and 28 billion above the February 1958 low.

As a result consumers continued to buy at a high level and what they wanted, and total consumption expenditures exceeded 2 billion dollars during the recession as compared with the 20 billion dollars decline in production of goods and services. With consumption at a high level and beginning to expand in the second quarter of 1958, it was necessary for business goods to be produced. The reduction in inventories called for restocking. The Index of industrial production shows an increase in every month during the past 9 months through September and the decline in industries appears to have stopped.

Federal Expenditures and Capital Investment

As we move on to 1959, the policy is more and more feeling the effects of the budgetary program. This includes assistance to housing and highways, a small cut in federal expenditure on defense and an enlarged defense spending. All told the program adds up to 6 billion dollars, of which only a small portion has yet gone into actual production. The effect will be stronger in the final quarter of 1958 and the first quarter of 1959. Furthermore, business expenditure on new plant and equipment, which was down in the second and third quarter of 1958 and the outlook is for a small increase in the fourth quarter of 1958. The capital investment in new plant and equipment is highly important to economic progress. This fact that a turning point was reached in the end of 1958 in a good augury for 1959.

Thus we find an economic growth in total business volume. How rapidly the growth will be in the months ahead will depend largely upon the public's acceptance of the new automobiles, the desire of people for new houses and the availability of mortgage money, and the increased investment in business in new plant and equipment.

Inflation

While the forces of inflation are a threat, the prospects for their effect appear to be reduced. If we look over the record of price movements during the past year, we find that the high prices of 1948 were caused by the high price index actually dropped 4% between 1948 and early 1950, that is, the average wholesale prices caused to prices 14% by May 1957. Hence the consumer price index was stable for four years 1950-52 while wholesale and that since 1956 the consumer price index has increased 1%

The cause of the 1956-57 price increases is found largely in the extremely high demand business for new plant facilities. In the early stages of the demand there was a large outpouring of goods, and the value of the new goods increased in productivity and the cost of high prices.

Thus it appears that the expansion of credit and income caused the higher prices. It is the price we paid for a period of sustained plant expansion. The more mild price rise in the first half of 1958 was caused by the prevailing adverse weather which sent prices of fresh fruits and vegetables skyward, and the high prices for meat due to cause of short pig crop and the need for rebuilding herds of beef cattle.

Price Rise Resistance

The causes of the price rises in 1956, 1957 and 1958 are not expected to continue into 1959 and 1960. Rather some resistance appears to have developed. First, there will be increased supply conditions flow from the increased plant facilities built during the past two years, especially with enlarged productivity per worker. Second, the experience of the past two years has shown that there is a limit to the maximum wage level at which prices can be increased to compensate wage increases in excess of productivity increases.

The large government deficit adds to the fear of inflation, but decided upon an expense ac-
vity and enlarged tax revenues can work to reduce the deficit. In addition, the monetary authorities are alert to the need for anti-inflationary measures. Furthermore the dangers of inflation and the damage it can do are better understood both by the authorities and the public as well, so that control of inflation, money, will have greater popular support.

Food Industry

The outlook for the food industry is even better. Continued continued to spend liberally for food during the recent economic decline and as a result there was no recession in the food business. In 1957 the total food bill of the nation was about 75 billion dollars. It will be higher in 1958 and still higher in the years ahead.

There are potent forces behind the prosperity in the food business. First is the growth in the population—more mouths to feed every year. Second is the growth of our dynamic economy which results from increased productivity and which is accompanied by enlarged family income and a higher standard of living. Third is the desire of the housewife to improve the nutritional quality of the family diet, the demand for more diversified diet, and an appreciation of the convenience and time saving that comes from what we call "built-in" food preparation in the kitchen.

The food industry is intensifying its research to develop new and improved products. It is in an expansion period, it is able to give more service efficient to the consuming public and preparing for the huge potential growth in the years ahead.

Conclusion

We are making progress in economic understanding and the outlook ahead for business is good.

Ebert A. La Hue Opens

ST. PAUL, Minn. — Ebert A. La Hue & Associates is being formed with offices in the Pioneer Building to engage in a securities business. Ebert A. La Hue, proprietor of the new firm, has been a partner in Smith, La Hue & Co.

Robert Baird Branch

MARIETTA, Wis. — Robert W. Baird, New York investment banker, opened a branch office at 1800 Hall Avenue under the name of Baird, Hanifen & Willard.

Mid America Securities

CHICAGO, Ill. — John K. Barretton is engaging in a securities business from offices at 176 Adams Street, under the name of The Mid America Securities Company.

Fahnestock To Admit Bligh and Wilson


J. P. Morgan Co. and Guaranty Trust To Merge Businesses

J. Luther Cleveland, Chairman of the Board of Guaranty Trust Co. of New York, and Henry C. Alexander, Chairman of J. P. Morgan Co., announced that at meetings Dec. 17 the boards of directors of their respective banks had unanimously approved plans for the merger of the businesses of the two banks under the name Morgan Guaranty Trust Co. of New York. Holders of Morgan stock will receive 4% shares of stock of the merged institution for each share now held and holders of Guaranty stock will receive one share for each share now held.

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NEW YORK DENTON LINCOLN ST. LOUIS INDIANAPOLIS OHIO MILWAUKEE GRAND RAPIDS MADISON CEDAR RAPIDS ST. PAUL FORT WAYNE
The market... and you

Wallace Street

Stocks hovered within easy reach of their yearly peaks today and for the most this week, hunting for a new spark to help industrials made a second bid to surpass their peaks.

The first attempt to plow through the November 17 all-time high was foiled when the magic bandage of the 0.17 of a point, and early this week the average was again within striking range of the all-time high, but a few even wider run-ups by selected issues failed to inspire any all-out assault.

Technicians Undisturbed

There wasn't much in the way of chargin selling when these approaches to the old peak fizzled out. Nor, for that matter, were the technicians unduly disturbed since the time before they felt the recession and the year-end cleanup will be finished and the traditional end-of-year spurt set in.

The rail average had settled for a prosaic existence, presumably waiting on the senior section for the next signal. Utilities, however, had been able to nudge to a high-water mark for 28 years although it was a short achievement and didn't stir up anywhere else.

Attractive Rail Issues

The long neglect of the rails continues to make them the above-average yielding section, the path of least resistance for around 4½% in such quality items as Norfolk & Western and even more for the roads that are being built to more. Norfolk stands out in its ability to control costs quickly when the demand for coal that boom so large in its business goes into cyclical swings. The road was also a hold against dissipation until recently when the economies of this form of motive power made it get in the parade. There is, however, much work to be done to convert the line to diesels so the full economies of this switch are still in the future.

Early this year when the downturn hit, Norfolk's net income dropped a third. But by early July the railroad reported being in the black and its income for the first nine months was a$1.2 million more than the same period last year. For the full year the figure is expected to be close to last year and the year before finally.

With rails generally seen as having made a turn for the better, there has been much attention given to the railroad equipment shares. One in this section that someone could profit handsomely in was the Mid-Atlantic Duplex 5%, Parliament Bearing which is in the forefront of the suppliers if rails ever are forced into full-scale modernization of their freight cars. While passenger cars are virtually all roller-bearing equipped, some estimates are that no more than 26,000 out of some 1,700,000 freight cars are so equipped and there is a fact that there are sizable economies in such equipment.

The practice of interchanging freight cars has found many of the roads loath to spend the money on modernization for the benefit of the few. The Duplex offers a return of 5½% and with income pinched in a recession there was little likelihood of any mass move to save unnecessary equipment. Nevertheless, it is hopeful that with better times the trend might take hold.

Great Northern Railway is another high-yield item, available at a 6½% yield recently. Lagging demand for iron ore has kept its traffic restricted but its income for the year is expected to be off only 10% from last year's as its operating economies take hold.

Like the rails, the oils have had relatively few champions lately both because of industry problems and the fact that individual investors for a long time have looked with oils and lately have been a bit prominent on selling. As a result, returns running to around 4½% have been available in such as Atlantic Refining and Standard Oil of Ohio.

Not so easily explained, despite the acknowledged fact that construction has been one of the bright segments of the economy even through the recession is the neglect centered on the cement shares which have turned up a return of about 4½%. This issue also sells at one of the lower price/earnings ratios in its group, some 15-13-times-earnings.

Shoe Issues Neglected

Shoe issues have been largely ignored recently, a declining earnings trend in recent years no help to inspire more investor attention. And again the pattern of high yields a result of a population trend to much more than 5% in International Shoe even though the $1,800 current rate has been trimmed back from $3 paid a decade ago. There are some indications that the shoe business has also made its turn and good conditions in shoe retailing are expected to be reflected in shoe returns in the record peak, next year's output is expected to be back at a new high since 1955, on a 6½% yield on the present dividend. Earnings this year, despite a strong finish in the final quarter, are not expected to come within half a dollar of those for the last year, but that would cover the dividend. But the stock seems to be starting to discount the possibility that the next year will have a sharp earnings recovery next year.

Possibilities in Meat Packers

Meat packers have had their champions lately but without excessive price action, mostly because of their dividend prospects of them are dividend-less, although prospects are that the 20% gains in hog slaughter this year will restore them to the paying status. Armour's earnings have already shown a good pick up and projections are for a continuation. It is currently dividend-less. Cudahy is an identical story of good earnings and a history of resumed payments. Swift, the giant of them, is a case of an issue worth "more dead than alive" with its dividend returns more than double the recent market price. It is on a dividend basis although the market price has been trimmed a bit. A return to the $2 old rate, however, would boost it to the yield class at present prices.

The big discrepancy is in the case of several others where the only demand seems to be for International Business Machines despite the fact that it sells at some 85-90 multiples of net earnings. In 45 times the estimates projected for this year. Royal McBea is virtually assured of turning in a far better picture than its three-cent profit of the last fiscal year. And Smith-Corona with a yield approaching 5½% has a 1½% return on IBM and less than 2½% in the recently popular Pitney Bowes and Addressograph.

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.

George O. Nodyne, President of the East River Savings Bank, New York, announced the election of Donald S. Macdonald to the Board of Trustees of the Bank.

Announced was the election of Paul A. M. Chemer with Mr. Schwer as Vice-President of Chase Manhattan Bank, New York.

The Union of South Africa has approved the merger of a private economic growth which will provide expanded foreign trade and investment opportunities for American businessmen during the years ahead. Announcing to Richard S. Perkins, Vice-Chairman of the Board of The First National Bank of New York, Mr. Perkins was in Johannesburg the opening of The First National City Bank of New York (South Africa) Ltd., the first subsidiary of an American bank to open its doors in the Union of South Africa. This marks the Bank's 74th overseas office.

Chemical Corn Exchange Bank, New York, on Dec. 17 opened an ultra-modern banking office to serve the Important Ranching Area. The new office is centrally located at Randall Avenue, FA-1, New York. The new office was designed to provide this fast growing and highly industrialized area, generally considered the most complete and most efficient in the country, with the personal service the people and businesses have requested. According to Chairman Harold H. Helm, The Rustic Point branch now increases offices to 94 in Greater New York.

The promotion of eight men at The Bank of New York were announced by Albert C. Simonds, Jr., Chairman of the Board, on Dec. 9.

Gordon D. Brown, Howard J. Poduska and J. Lenox Porter, all of the Banking Division, were named Assistant Vice-Presidents with Mr. Brown, who joined the Bank in July, 1939, last Monday, a specialist in aviation, transportation, leasing and electronics. Mr. Poduska will represent the bank in the Midwest and will continue supervising the Building and Loan company business. Located at the Bank's Fifth Avenue Office, Mr. Porter will be in charge of the legal and banking activities.

Promoted, to Assistant Vice-Presidents in the Banking Division were, Walston C. Gallie, W. Lee Bolen, W. Lee White, Jr. Mr. Gallie is a representative in the West Coast area and Mr. White in the Middle South and Southeast. Mr. Lee will continue his present work in the area.

The Bank of New York is 1946, and an officer in the Bank since 1929. Mr. McManus has been with The County Trust Company since 1900 and was named an officer in 1929. Stockholders of both the Black Rock Trust Company of New Haven, N. Y., and the Watertown National Bank, N. Y., were advised that they will be asked to approve plans for a merger on Jan. 13.

The Board of Trustees regret to announce the death of Mr. George K. Barker, President of Syracus Savings Bank, Syracus, N. Y. Mr. Barker, who was 65, died at the age of 69.

Mr. Barker joined the First Trust & Deposit Co. of Syracuse in 1925. He was elected President of Syracuse Savings Bank in 1940.
Automated Life Insurance Assured of Bright Future

BY ROGER W. BABSON

Spectacular gains, after 1965, for life insurance industry and for makers of automated equipment are predicted by Mr. Babson on the basis, respectively, of anticipated gains in life expectancy and in birth rate.

Dr. Robert H. Wilkins of Boston, President of the American Heart Association, predicts that "in ten years or so, the life expectancy of Americans will be ninety years."

If Dr. Wilkins is correct in his forecast, by 1968 we shall have added about 20 years to the life expectancy. That should augur well for business over the longer-term, but it will mean headaches too. At present our people are collecting nearly $20,000,000,000 annually in old-age insurance payments, unemployment compensation, veterans' pensions, and disability pay, railroad retirement payments, Federal, state, and local civil-service pensions, and other government programs.

I am told that the total stake of our people in public and private pensions and insurance amounts to $80,000,000,000. Investments in private pension plans alone amount to more than $80,000,000,000 and represent 10% of our entire savings. It is evident that the total investments in all types of public and private pension plans will have to be increased by $80,000,000,000 by 1978, thus assuring steady purchasing power to the pensioners and the disabled.

Effect on Insurance

The life insurance companies have enjoyed continuous improvement in mortality rates for many years now, owing largely to advances in medicine and nutrition, as well as to shortening of the work week. Most companies have found their actual mortality experience more favorable than that anticipated in the calculations upon which their premiums were based. Also the life companies have had the advantage of vastly increased investment earnings because of large gains in premium income and the sharp upturn in general business since World War Two.

I believe life insurance companies stand to make further spectacular gains as life expectancy is bettered. Those insured by mutual companies should see total premium costs decline as dividends increase. Those insured by stock companies should benefit from lower premium rates and increased earnings gains in coverage at little or no increase from present rates. Longer life expectancy cannot help but enhance the fortunes of the stock companies, of which Aetna and Travelers are the largest.

Pension Plans and Taxes

As longevity increases between retirement age and death will widen, this will mean additional problems for government and business. Sharp increases in taxes levied upon employees and employers for social security lie ahead. Boosts in contributions of management and employees to private pension plans will be equally serious.

In addition, I predict that Federal, state, and local taxes generally will increase at new levels. Some of this increase will be due to higher operating costs.

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In addition, I predict that Federal, state, and local taxes generally will increase at new levels. Some of this increase will be due to higher operating costs.

A stable portion will be due to the increased investment in guaranteed returns for the growing sector of our population above the age of 65.

New Boost for Labor

Since I anticipate another marked increase in births in this country, beginning probably about 1965, and growing for several years, by 1978 we could well have in a population of 225,000,000, 25,000,000 people aged 65 or over and about 75,000,000 under 15. That means we will have fewer workers to support more people than at any other time in our history. Labor will once again be in the saddle, riding high, wide, and handsome. Chemists, physicists, engineers, and other skilled specialists will be in heavy demand.

There is only one method by which business can counteract the disastrous impact of this expected serious loss of manpower. It must make a greater and more effective use of the techniques of automation. Otherwise, there will not be adequate assurance of earnings to attract needed capital for expansion and for replacement of outmoded machines. We may be facing the biggest single problem of fast changing management for the next 20 years as manpower is reduced to the cost of that manpower. Automation is the only answer I can see to the problem. It is the only answer I can see that can provide enough money to pay the cost of automation.

Puts and Calls on Tape

The firm of Filer, Schmidt & Co., 120 Broadway, New York City, has had tape recordings made of the lecture on Puts and Calls given by Mr. Herbert Filer recently. The lecture explains the history of options and their various uses, and also the selling of options. A copy of the tape recording may be had for temporary use by Stock Exchange houses or educational institutions.

F. A. Callery Opens

Francis A. Callery, Agent, has been with offices at 305 West End Avenue and 60 East 42nd St., New York City, to engage in a securities business. Partners are Francis A. Callery, Charles Callery and Grant E. Judge.

Form Chatham Associates

Chatham Associates has been formed with offices at 305 West End Avenue and 60 East 42nd St., New York City, to engage in a securities business. Partners are Louis Adler, Samuel Sochol, Martin Stein, Walter F. Steinberg, Walter J. Schneider and Charles Guzzo.

Forms Zinder Co.

Irving Zinder is engaging in a securities business from offices at 25 Broadway, New York City, under the firm name of Zinder Co.

STANY GLEE CLUB

The STANY's Glee Club at its final session of the year at Oscar's Restaurant, wound up a most successful year for STANY's most popular singing group, Salvatore Rappo, F. S. Moseley & Jack Bigley. The group went through five years of weekly rehearsals, audited by pianist, Henry Gersten, Oscar Grusz & Son and composer Seymour Blumen, Phoenix Securities Corp., and Harry Zeeman, Carl Marks & Co., Inc. Director Rappo praised the members for their faithful attendance record and introduced STANY's retiring president, John McLaughlin, McLaughlin, Line, Tipton & Co., and National Comptometer Al Tisch. Plagemar & Company, and announced that the Glee Club would present several new numbers at the annual STANY Waldorf Dinner the Spring of 1959.

THE 1959 ANNUAL REVIEW & OUTLOOK ISSUE OF THE CHRONICLE

Will be Published January 15, 1959

＊ The 1959 issue of our ANNUAL REVIEW & OUTLOOK ISSUE will present the official opinions and forecasts of the nation's banking, industrial and financial leaders on the outlook for business in their respective fields.

＊ Get your perspective on next year's business possibilities from the leaders who manage the country's industries.

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THE COMMERCIAL & FINANCIAL CHRONICLE

25 PARK PLACE, NEW YORK 7, N. Y.
Economic Recovery Will Be Sustained

By WILLIAM C. JACKSON, JR.*
President, First Southwest Company, Dallas, Texas
Retiring President, Investment Bankers Association of America

Outgoing IBA President pin points the reasons why he believes the recovery is well founded and will be sustained; rebuts the revived "mature economy" thinkers' fears about future excess capacity; defends the IBA stand on Federal spending recovery bills and tax reduction in place of public spending during the recession; and advises the time to fight inflation is now which precludes general tax reduction but not tax reform that will provide greater incentives to produce. The Dallas investment banker submits proposals to combat inflation and comments on the progress of the Association in the past decade.

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The Commercial and Financial Chronicle... Thursday, December 18, 1958

Continued on page 46
Well-conceived, essential bridge projects which were constructed to replace ferry facilities, have had remarkable success. In many cases, traffic increases as high as several hundred percent were effected within a few years after the bridge went into operation. Facilities of this nature, based on the known earning power of the ferries replaced, have achieved a well-earned reputation among experienced investors for yield and safety, as well as tax-exemption.

Allen & Company has long been active in all phases of revenue-financed projects, acting as advisors to public bodies, as originators bringing creative “know-how” to financing problems, and as major underwriters and distributors.

A recent example of our activities in such financing is the Mackinac Bridge—which has just completed its first year of successful operation.

We were privileged to develop the financing plans for the Mackinac Bridge Authority and to act as co-managers in the underwriting.

Allen & Company
Established 1822
New York 4, New York
State, Municipal and Revenue Bonds
“Gun-Jumping Problems Under Section 5”  

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

SEC head specifically refers to the current Arvida case, and another "large and newsworthy issue" in 1954, in summarizing his agency's view, and an enforcement of "gun jumping" involved in an "offer to sell." Commissioner Gadsby denies restrictions on "pre-offering publicity" proscribes a distributor's or underwriter's dissemination of normal information or evaluation of an outstanding security issue—so long as the firm is not engaged at the time in the sale of the unregistered security. He also denies there is any infringement on freedom of the press. Turning to other matters, the Commissioner praises IBA's cooperation and initiative in explaining Regulation A in small business financing, and comments on the recently Small Business Investment Act.

It is contemplated that the small business investment companies formed under the Act will be financed and managed by private capital, which will be matched within limits by funds furnished by the Small Business Administration. The Act also contemplates that the investment of this pool of capital in any small business may be limited by the issue and sale by the issuer of the securities sold to it by the small business. As you may appreciate, then, the act of the SEC in speeding along this process from several points of view, and is working closely with the Small Business Administration in order to establish practical techniques with which these new activities may operate. Provisions of the Act have been distributed for comment, and are now being considered by the SEC for possible adoption.

It seems clear to me that the SEC and the investment bankers have an obvious duty in this situation, not only to continue the excellent program so auspiciously outlined by the SEC, but also to expand and actively pursue it in order to publicly disseminate the economics of Small Business Investment Act. As I see it, we are drafted to preserve the functions of private capital within our economic structure, which is quite an experiment in itself, but we are also going to be dealing with thecapital to a fund established out of Federal money and the SEC which will have the entire job to private capital. As things stand, the private capital market becomes a statutory participant in the financing process established by this legislation.

There has been an increasing tendency over the years to give pre-eminence to economic activity and affairs through many media of communication, a tendency which has increasingly raised the heightened attitude of many firms, and in particular the New York Stock Exchange. Taken together with a commendable and growing recognition on the part of industry and the importance of "information security," this is indicative of the importance of economic and financial developments. The SEC is attempting to encourage this trend. At the same time it is expanding its research in management, underwriters, dealers, lawyers and public relations. The Small Business Act of 1953 imposes certain requirements on the persons engaged in the sale of securities and that publicity and reporting requirements may be necessary in certain circumstances may involve the SEC in the future. The SEC has a respect table field of failures to consider the need to reduce the financial barrier to issuers and underwriters in connection with the registration of securities.

The Securities Act of 1933, the cornerstone of the entire structure of Federal securities legislation, was drafted to achieve the purpose of the elimination of a sifting process as the price of securities. It also purpose to analyze the economics of Small Business Investment Act. As I see it, we will have to find a way to facilitate an access to the private capital market. It has been furnished for the purposes of this Act underwriters will be asked whether or not these purposes are met. The provision of the SEC will be equal treatment with the existing distribution practices as the result of which will involve the brokers who are to purchase securities in public will be subject to a similar stimulatation by increased publicity by issuers of securities.

DEALERS IN  
State, Municipal and Authority Bonds

LEHMAN BROTHERS  
One William Street, New York 4, N.Y.

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*An address by Mr. Gadsby before the 47th annual Convention of the National Bankers Association of America, Milwaukee, Wis., Dec. 3, 1954.

**Gun-Jumping**
for securities which they must, of course, promptly sell to their customers if the facts stated in the registration statement are true. It is the stated purpose of this law to make certain that the information required in order to permit an informed and unhurried appraisal of an offer of securities will be made a matter of public record by the issuer and his agents, and that, prior to any solicitation by a seller of the securities, the public will have an opportunity to determine whether the offering meets the requirements of the law.

In the case of a securities offering to the public, Section 8 of the Securities Act prohibits any activity designed to further an offer or sale of non-exempt securities or to stimulate offers to buy from brokers, dealers, and others to dispose of the securities. This results in the filing of a registration statement containing the information specified in the Act.

Specifically, among other things, Section 5 (a) of the Securities Act makes it unlawful to sell a security unless a registration statement with respect to such security has been effective. Section 5 (b) makes it unlawful to sell by means of facilities of interstate commerce or the mails for purposes of sale of any security unless the purchase has received a prospectus with respect to it which meets the requirements of Section 10 of the Act or to send out any prospectus which does not so conform to Section 10. Section 5 (c) of the Securities Act of 1933 makes it unlawful, with certain exceptions, for any person directly or indirectly to offer to sell a security unless a registration statement has been filed with the Commission.

To recapitulate what I have said, it is illegal in any way to offer a security prior to the filing of a registration statement. A security may be offered for sale after filing and before the effective date of a registration statement, provided that any prospectus employed for this purpose meets the standards of Section 10 of the Act. As a result, in general during this period, no written communication offering a security may be transmitted through the mails or in interstate commerce other than a prospectus authorized or permitted by the statute or relevant rules thereunder. After the effective date, sales are permitted, and in addition to the prospectus the offering may be employed legally, provided the Section 10 (a) prospectus precedes or accompanies the supplement literature.

"Offer to Sell" The broad sweep of the basic prohibition contained in Section 5 (c) is made clear by reference to the definition of the key term used. The prohibition is against an "offer to sell" which is defined in Section 2 (3) of the Act to include every attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security for value. These carefully chosen words reflect the Congressional mandate that the term, as so defined, shall not be construed to include communications which includes express words of "offer" in the sense in which it is used prior to mon parlance.

On the other hand, it has never been considered to include communications of the kind alone the SEC, that it is unlawful to disseminate normal corporate information to the public if such information is not a part of an offer to sell, purchase, solicit an offer to buy, or a part of a selling effort. This fundamental point was announced at an early date in Commission Releases Nos. 39 (1933), 464 (1935), and 862 (1938). In Release 464, the late Judge Burman, then counsel to the Commission, stated:

...even though your subscribers transmit their bulletins to their clientele through the mails or interstate commerce, such transmission is not a violation of the Act if the subscriber does not...
Problems of Management in a Technical Business

BY J. E. JONSSON
Chairman of the Board, Texas Instruments Incorporated

Mr. Jonsson sheds light on the considerably changed and increased scope in the depth and breadth of professional managers of technical businesses in meeting today’s and tomorrow’s problems. He reviews the assist automation can provide—such as the computer—and foresees need for investment bankers to develop technical people of their own who are competent enough to meet the technical manager of the businesses they help finance in working out solutions appropriate for both. Observes that decentralization of medium and large firms seems to be working well for most companies but wonders whether it will be the ultimate answer for the complexities of coordination.

Past Fifty Years

First, let’s think a bit about happenings in the past 50 years that have changed the way we view things—event. I should like to talk about some of the things that are common practice.

In earlier days most communication was by newspaper and by mail, and a lot of that was quite slow of necessity. Today our knowledge of events in all parts of the world is almost instantaneous.

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For address by Mr. Jonsson at 47th Annual Convention of the Investment Bankers Association of America, Bal Harbour, Fla., Dec. 1, 1958.

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channel the total effort toward achieving the company’s goals.

A Case History

Now, with your indulgence, I’d like to use some parts of Texas Instruments case history over the last 12 years to illustrate the diversity and complexity of the kind of problems referred to in the opening events of this history because I saw it happen and took part in it, and therefore know at first hand of the briefing impact on our managers of the many difficult decisions which had to be made. We were faced with wide economic swings, rapid growth, wide geographic dispersal, international taxes, exchange and transfer problems, excess profits taxes, dealing with government and sales termination of profits, renegotiation, and a host of other problems. These all are illustrative of rapid change, the need for management flexibility and adaptability, the requirement for wide ranges of ability, the remorseless challenge imposed on management people to grow with the job or be run over.

Our company, or rather its predecessor, began in 1930 as the Physical Service Inc., or as it is more generally known in the oil business, GSI. It pioneered the use of the reflection seismograph to explore for oil. Its object was to contain oil or gas deposits. This remains today as an important activity of our company, now our clients being the major and minor oil producing fields of the country.

Near the end of the year 1941 GSI was sold to a small employee group, thus marking the beginning of the present company management. World War II a nominal amount of military equipment was engineered and built, including submarine-hunting devices, and in the process considerable new know-how in fields closely allied to our own was acquired. However, by the end of the war in late 1945, military contracts were essentially complete, and little or no engineering or manufacturing remained except that required to carry out the company’s geophysical exploration activities. Shortly thereafter, the company again entered the manufacturing field, beginning with military work as before. As is frequently the case with a company of our then size and background, the organizational structure was amorphous, but functioning satisfactorily for the tasks undertaken up to that time.

Activities Loosely Organized

In Figure 1 we can see that the 1946 organization was very simple. Not only were activities rather loosely organized, but, in addition, selling activity lay in the hands of a few top men, each of whom wore several hats. This arrangement was wholly inadequate for what was to come. It is not important for our purposes here that you try to follow the changes in this organization, but please notice at the bottom of the chart the small shaded area which represents not the company’s headquarters, but its sales in millions of dollars. In 1946 they totaled $5,790,000—not a very impressive sum and certainly not substantial enough to impress the casual observer with the possibility that there, indeed, was the nucleus of a growth company. You will note from the chart that our net income was $125,256, and that company employees numbered 534.

In Figure 2 we see the next stage of company development. Now the organization has been broken into separate and distinct units—one for exploration and one for engineering and manufacturing. Increased stress began to be laid on manufacturing activities, organization for the work being becoming functional. Observe that sales of $3,780,000 and income of $282,970 in 1949 were slightly more than double those of 1946, while the number of employees increased about 90% to 792.

In Figure 3 we can see the progress of the company in the next four years. The manufacturing business had now become dominant, and the geophysical exploration efforts had been consolidated in wholly-owned subsidiary companies of Texas Instruments, the parent. The geophysical companies were much more functionally organized and had made distinct progress in developing their own marketing unit. The parent company had now developed clear lines of control and good procedures. By late 1952 it had acquired a new subsidiary, Engineering Supply Co. This was, and is, a small supply company serving our own business and that of other exploration and manufacturing companies in the Southwest. It served the purpose of protecting supply lines and amplifying them, as well as presenting an opportunity to grow with the growth of the area. Its sales in 1953 were...

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The Diversified Working Force

behind California Municipal Obligations

In California, the key to our economic stability is diversified human endeavor.... We are not dependent on one dominant industry, crop or product.... Wherever you turn—to industry, to agriculture, or to our natural resources there is unlimited opportunity for the use of our fast growing working force.... Behind California Municipal obligations is the strength of this unusual diversification.
Space Strategy and Economic Growth

By James M. Gavin

Lieutenant-General U.S.A.

Retired

Vice-President and Director, Arthur D. Little & Co., Inc.

Cambridge, Mass.

Investment bankers are told the economic war with USSR is as fraught with danger as the cold war and that it is as much their responsibility to accelerate our too slowly growing economy as it is to hasten our advance in the realm of space, missiles, rocketry and technology—fighting "the great strategic battle of the decade." In pointing this out, Gen. Gavin asks that we determine whether our lack of total integration and the freedom to make our own decisions is superior to the Russians' method, and suggests we cease making day-to-day decisions and leaving the long-run outcome to others. The General wants daily decisions to lead to the same focus; more spent on defense, science and education; and more effective translation of defense-developed technology into civilian uses.

Anastas Mikoyan, the banker, would probably own it. Mikoyan, one of your most dangerous opponents because he is so capable. From his desk in the Kremlin, he is surveying the world as a vast economic battlefield, rich with opportunity. And he is looking at us with the cold eyes of a shrewd warrior. One advantage he may be counting on is that we do not seem to be fully aware of this economic war.

The Russians are serious. They intend to increase their production 20% by 1965. Last summer the Russians threatened our world aluminum markets by undercutting the world prices two cents a pound. Last summer, too, the Soviets stepped into South America to offer Argentines $100 million for all development in a barren arrangement. In the first quarter of 1958 the Sloo-Soviet bloc produced more steel than the United States. The economic offensive of the communist world is gathering steam.

Political and economic warfare is their primary weapon. They hold fire-power in reserve and use the threat of nuclear combat as blackmail, Thomas Coulter said last February: "Soviet bloc tradeescmen are everywhere these days. One by one they are attacking the key areas. . . . They have many trading advantages. They have no hesitancy, for example, to sell a product and force it on us, using the desire to extend long-term credits at interest rates as low as 2%. The machinery which they offer lack chrome but are rugged and simple to operate and are often better suited to conditions in primitive areas than ours. When it comes to recruiting trained engineers and technicians who will take up residence in the fan-off places of the world to train the local workmen, the Soviets have no problem, Ivan goes where Ivan is sent. And, when he goes, he brings war.

In their strategy, the Russians know how to use art, religion, all the symbols which are powerful in a world of persuasion. Together with military threats, propaganda and diplomatic moves, their economic strategy can provide a critical difference.

In the aim of economic disunity, their economic moves are easy. They are not trying to put shaky countries on a stable and viable basis—but where $5 million at the right moment, may, in the long run, only wreck a country, the Russians will supply it and take propaganda advantage.

The GNP Delusion

But the war in the marketplace does not keep us awake at night. We have the highest standard of living in the world. One public figure has expressed our national sense of satisfaction: "We told them it would be good, but we didn’t know how good it would be!" Our gross national product is $440 billion this year. This Russian gross national product is only $80 billion. Ours is five and a half times larger. With such a prosperous economy and great technology, who would come to the world to sound the alarm at the blustering of Khrushchev or the strategies of Mikoyan?

I think it is probably our high GNP and our sense of well being that prevent us from worrying Mikoyan’s tactics more seriously. Waldemar Nielsen, in Harper’s Magazine, gives this complacency a name: "abracadabra syndrome," which takes its name from the juggling statistics about GNP’s and P.D.’s until a few weeks, perhaps, until the Soviet economy is on the verge of collapse, that our methods, education, technical achievements are the best of all, and therefore everyone can relax.

This syndrome is familiar in history. Carthage suffered from it. Carthage enjoyed enormous prosperity and was flourishing when the was destroyed by her Roman conqueror.

Much later, Rome had a Gross National Product, too, that looked healthy to her Greek conqueror. Her wealth and splendor were unsurpassed when the Vandals and Visigoths began their insurrections. Neither Rome’s great engineering skills, its architectural grandeur, its great laws, nor, a last analysis, its Gross National Product, could prevail against the barbarians. Their GNP was misleading. Now the Russians cast the mighty Roman Empire, the Gross National Product is no insurance of survival. It is not a protection for the strong. It is, indeed, it may not even be sufficiently

Although our total productivity is five and a half times that of the Russians, what product we produce is luxury items. Since our living is high, so is the price of our goods. We may be pricing ourselves right out of the world markets. At the same time, we are not spending enough on national defense, we have not significantly increased our efforts in science, education, health services or any other cardinal elements of long-term growth.

In order to do this, we must set even higher goals for our economy. We are growing at little better than 2% a year for our own good. The Rockefeller Report suggests that a 5% rate of growth would add greatly to our national resource base, so that we could finance vast expansion of outlays for national security, international economic cooperation, and services such as education. Leon II. Kapersing said the economic war we must for a 600 billion economy in five years. This assumes, of course, that it is not the answer—it is the rate of growth we need. The economic war is the direct war. It is the war of Mikoyan’s tactics in his tacid yearly adherence to our GNP. If we command the capital, you are commanders in the battle of the marketplace.

The Race for Space

Because you command capital, you have an important role in the other theatre. In the realm of space, in missiles and rocketry, which is the other and the logical realm of the problems of all these together will be fought the great strategic battle of the decade. We need to invest more in space than in the great burdened with space. We will see from missiles and satellites will store the weapons and defenses of any military combat in the future. This is so clear that I will not belabor the point.

Our investment in space programs enters only a small percentage for hardware. The real investment is in research. Research in working space is a research problem, of enormous breadth. A number of metals, like beryllium, that can take high heat and friction. We need fuels, and very tiny mechanical devices, electronic devices. And the problems of the engineering problems of no mean proportions, we have serious medical and psychological problems to solve before man can go into space. You have

Continued on page 47

Commercial and Financial Chronicle

Thursday, December 18, 1958
A thorough, but concise, report by the Municipal Securities Committee of the significant activities and developments within the municipal securities industry is presented by John M. Maxwell, of the First National Trust Company, Chicago, to the 1958 annual convention of the Investment Bankers Association of America.

**Text of Report, including Appendices, follows:**

A review of the municipal market in 1958 reveals two outstanding features: (1) the record volume of sales of municipal bonds and (2) the sharp break in the market during the summer. Sales of municipal bonds during the first ten months of 1958 reached an all-time high of over $7,000,000,000, in over 6,110 issues (compared with sales of about $5,000,000,000 during the corresponding period in 1957). Thus, it is certain that sales for the full year 1958 will reach an all-time high of over $7,000,000,000.

The year opened in relatively happy circumstances with the "Bond Buyer's" 20 bond average at a yield basis on Jan. 2 of 2.97% and the market continued at a satisfactory level throughout the first six months with the average at 2.97% on June 3 and at 3.05% on July 2, the higher money rates and large supply of bonds during the month caused a sharp drop in the market which took the average down to 2.9% on Sept. 4. The market has subsequently eased somewhat with the average at 3.15% on Nov. 21.

Summarized below are some of the principal activities of the Committee during the year:

**Marketing and Operating Procedures**

The work of several subcommittees during the year has been directed with considerable success toward recommendations to simplify and facilitate marketing and operating procedures. These objectives will be further discussed during the Municipal Forum in a panel discussion on "Syndicate on Municipal Bonds." **(a) Printing Legal Opinions on Bonds**

After the IBA Spring Meeting (May 22-24) a subcommittee was appointed under the chairmanship of Francis R. Schenck, Jr. (Baron, Whitple & Co., Chicago), to consider a proposal to print on each municipal bond a copy of the complete legal opinion covering the entire issue. The report and recommendations of that subcommittee, copies of which are available, were submitted in September and have now been approved by the IBA Municipal Securities Committee.

It is recommended that, whenever practicable and feasible, a copy of the complete final legal opinion should be supplied to the public on the back of municipal bonds and the copy should be certified as a true and correct copy by the paying agent or by an official of the issuing body. In the initial sale of the bonds the issuing body should continue to deliver to the initial purchaser at the time of initial delivery a manually executed copy of a final unqualified legal opinion. In subsequent transactions a certified or photo-offset copy of the legal opinion should be furnished to any purchaser unless specifically requested otherwise.

The full text of the resolution adopted by the Municipal Securities Committee, together with the Report of the Subcommittee, is contained in Appendix A. **(b) Liaison Subcommittee**

The Liaison Subcommittee, under the chairmanship of Walter W. Craigie (F. W. Craigie & Co., Richmond), has held three joint meetings during the year with representatives of the Municipal League of the American Bar Association, the Municipal Finance Officers Association, and the Municipal Forum of New York.

The principal topic of discussion at these meetings has been no-liquidation certificates. The IBA and the Municipal Forum of New York have recommended that, to be eligible for the bond market in municipal bonds by assuring bidders that they will be obligated to take delivery of only marketable bonds, (1) legislation be adopted in the states to provide for a final judicial determination of the validity of municipal bonds and that, (2) the contract of sale between the issuer and the underwriter should provide (through a provision in the notice of sale or in the bid form) that the obligation of the underwriter to take delivery of the bonds is subject to delivery of a no-liquidation certificate, in addition to delivery of an unqualified accepting legal opinion by a specified bond attorney.

Copies of the Report of the Liaison Subcommittee are available. **(Appendix B.)**

**(c) Advertising Subcommittee**

A special Committee on Advertising Municipal Bonds was appointed by the IBA Board of Directors at the meeting in May, 1958 (The Marine Trust Company of Western New York, New York City). The scope of the work of this Committee is actual but is indicated by its name, the Committee is considering the entire general policy of advertising the market for municipal bonds, recognizing that advertising is one aspect of this problem.

**(d) Operating Procedures**

The Municipal Securities Committee of the Central States Group and the New York Group have been working on recommendations for a more uniform procedure in bond deliveries. Further consideration will be given to these recommendations and it is expected that there will be subsequent additional recommendations dealing with other phases of operating procedures.

**II. Federal Legislation**

**(e) Amortization of Itumum on Tax-Exempt Bonds**

Section 2 of the Technical Amendments Act of 1958 amends Section 75 of the Internal Revenue Code to require dealers in tax-exempt bonds to:

(a) amortize premium on all tax-exempt bonds sold at a loss,

(b) amortize premium on tax-exempt bonds sold at a gain, except

(1) bonds disposed of within 30 days after acquisition,

(2) bonds on which the maturity or earliest call date is more than five years from the date of acquisition.

This change is effective with respect to bonds acquired after Dec. 31, 1957.

Where amortization is required, the effect is to reduce the "cost" of the bond for tax purposes by the amount of amortum attributable to the period which the bond was held by the dealer. The amortized premium on tax-exempt bonds is not deductible.

A copy of the text of Section 75 of the Internal Revenue Code as amended by this law was sent to all IBA members in the United States on Aug. 21.

It will be recalled that the Technical Tax Bill as originally reported in the House in 1957 would have required dealers to amortize premium on all tax-exempt bonds, regardless of whether they were sold at a loss or a gain and regardless of the maturity or the length of time the bonds were held.

**(b) Community Facilities Act of 1957**

S. 3497, which would have provided the Community Facilities Act of 1968, would have authorized Federal loans to municipalities for the construction of public facilities at an interest rate determined under a formula in the bill if the financing was not otherwise available on equally favorable terms and conditions. After passing the Senate, this bill was reported in the House with amendments to authorize $2,000,000,000 of Federal loans at an interest rate which in May would have been 2%.

Representatives of the IBA testified against this bill at hearing before the Senate Committee on Banking and Currency and submitted an extensive statement opposing the bill at hearings before the House Committee on Banking and Currency. This bill was defeated when the House on Aug. 1 voted 173 to 177 not to consider the bill.

Subsequent developments have confirmed the validity of the evidence submitted by the IBA to Congressional committees that there is no need for a Federal public facility loan program, as the report of the Joint Committee on the Organization of Congress, dated July 12, 1958, held that the facts that (1) the high volume of municipal financing in 1957 and early 1958 had led to record levels of public construction and contract awards for public construction during recent months and (2) the volume of municipal financing during 1958 had reached a record high to assure a high level.

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**Underwriters and Dealers**

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Report of IBA Industrial Securities Committee

Noting the special efforts recently made to help small businesses meet their financing needs and historic ability of large firms to obtain funds, the Industrial Securities Committee raises the spectre of medium-sized companies being neglected, particularly because of the growing concentration of institutionalized equity financing now taking place. William S. Hoge, of Wagenen & Durst, Inc., Los Angeles, Calif., is the Chairman of the Committee that made this study which was commissioned to the Investment Bankers Association at their annual meeting.

Text of the Report follows:

The Medium-Sized Industrial Companies—Their Significance and Their Flight in an Expanding Economy

Already visible on the horizon and becoming more evident each year is a corporate fiscal difficulty facing a large sector of our national economy. This sector is of such concern and responsibility to our profession that the situation is in order.

Reference is made here to the plight defined by facing medium-sized industrial companies in their attempts to secure adequate financing in future years. The work future is being transformed today for the medium-sized company with a valid need for equity financing can almost always obtain such financing from one or more investment bankers, who in turn can obtain the funds from private investors. This form of financing is facing difficulties in the years ahead—the important point to be announced later. Secondly, as of now, these companies can merge with larger corporations which historically have less difficulty in securing adequate funds—and secure additional financing in that manner. However, this source of funds is limited eventually, by the Anti-Trust Laws. How, then, will the medium-sized industrial company fare in its search for equity capital in 1965 or 1970?

In our modern business world, every careful-thinking investment banker is aware of the rapid changes occurring in the structure of our capital markets. From decade to decade—in fact from year to year—significant changes take place in the role and operations of government, in interest rates, in the savings and investment habits of individuals, and in the name a few factors. It is especially important for us to be aware of any weaknesses in the capital market that result from these developments, such as the need for capital and capital requirements of any major segment of American business, or the imbalances between the supply of and demand for investment funds of various types.

If we are to maintain our present standard of living, to say nothing of a stable and sustained gain in productivity; to accomplish this there must be an increase in capital investment. If necessary industrial investment is to be financed by private capital, it will depend upon the success with which our profession performs its function as a bridge of capital sources and the industrial corporations seeking capital funds. A special development of the greatest import favor the largest corporations in the recent and to a greater extent than is generally appreciated, the needs of so-called small business are receiving serious and effective consideration as is demonstrated by the Small Business Investment Act of 1958. The future prospect of the equity financing of medium-sized industrial corporations—the backbone of our future economy—is the subject of this report.

The exact definition of a "medium-sized" company is difficult. It cannot be measured by sales, earnings, or in net worth standards, as these will vary in different industries. However, the type of company considered here is large enough in its business and financial measurements to justify reasonable access to public securi- ties markets for its common stock, roughly equivalent to eligibility for listing on some of the national securities exchanges, subject, to market acceptability existing—or capable of being created. These are companies which have growth opportunities and will require substantial new capital, particularly of an equity capital nature. A particular concern here is with one general development in recent decades which has affected these medium-sized firms. The capital needs of this crucial segment of the economy, the growth of the institutional investor.

Trend Toward Concentration of Investment in Financial Institutions

In recent decades, we have been witnessing a significant evolution in the nature of corporate ownership and control, one which is ready far advanced. It is the concentration of private capital in financial institutions. Private equity capital can no longer be an important factor in the financing of a business enterprise. The concentration of financial capital in financial institutions has been paralleled by a concentration of management control in these institutions. This has increased the importance of the institutional investor.

There has been a concentration of ownership of large amounts of corporate stock held by a few institutions. In many cases, these institutions own a majority of the voting stock in the companies in which they invest. Because of this concentration of ownership, these institutions have a significant impact on the direction of corporate policies. They have the ability to influence the direction of corporate strategies and the allocation of corporate resources.

The effect of this concentration of ownership is to give these institutions a significant degree of control over the corporations in which they hold a majority interest. This control can be exercised through the voting of the stock they hold, which gives them the ability to elect the company's board of directors and influence the company's management. The concentration of ownership also provides these institutions with a significant degree of influence over the company's policies and decisions.

Furthermore, the concentration of ownership of corporate stock has increased the importance of the institutional investor as a key player in the corporate governance landscape. These institutions have become major players in the corporate decision-making process, often acting as a counterbalance to the interests of other stakeholders, such as shareholders, management, and employees.

In addition, the concentration of ownership has also increased the importance of the institutional investor as a key driver of corporate performance. These institutions have a strong incentive to ensure that the companies in which they invest are managed efficiently and effectively, as this will ultimately benefit their own stockholders. This has led to increased scrutiny and accountability of corporate management, as well as a focus on long-term performance rather than short-term gains.

The concentration of ownership has also had a significant impact on the corporate capital markets. These institutions have become major players in the market for corporate equity and debt, as well as in the market for mergers and acquisitions. This has increased the importance of the institutional investor as a key driver of corporate capital allocation, as well as a key player in the ongoing restructuring of the corporate sector.

Finally, the concentration of ownership has also increased the importance of the institutional investor as a key player in the corporate social responsibility landscape. These institutions have become increasingly active in promoting corporate social responsibility, as they have a strong incentive to ensure that the companies in which they invest are managed in a socially responsible manner. This has led to increased scrutiny of corporate social responsibility practices, as well as a focus on corporate social responsibility as a key driver of company valuation.

Despite these challenges, the medium-sized industrial companies have continued to play a vital role in the economy. They are at the heart of the innovation and growth that drive our economy forward. As a result, it is essential that we ensure that these companies have access to the capital they need to continue to thrive and grow.

This is not to say that the medium-sized industrial companies do not face challenges. They do. These challenges include the need for capital, the need for access to the capital markets, and the need for innovation and growth. However, with the support of the investment community, these companies can continue to play a vital role in the economy.

In conclusion, the medium-sized industrial companies are a vital and important part of our economy. They are at the heart of the innovation and growth that drive our economy forward. As a result, it is essential that we ensure that these companies have access to the capital they need to continue to thrive and grow.

This is not to say that the medium-sized industrial companies do not face challenges. They do. These challenges include the need for capital, the need for access to the capital markets, and the need for innovation and growth. However, with the support of the investment community, these companies can continue to play a vital role in the economy.
The challenge of the three segments comprising the utility industry is depicted by Thomas M. Johnson, of The Johnson, Lane, Space Corporation, Savannah, Ga., in presenting his report to the Public Utilities Securities Committee recently at their annual convention. In reviewing the successes and problems of the industry, he noted that Johnson calls attention to the Internal Revenue Service, which he believes is the key to the industry's story to the public despite the fact that action taken by Congress on the matter.

Test of the Report Follows.

This year, having served our task, the test is of the battle. It is no new enemy that assaults us, but in the modern guise of Socialism, if it is still the ancient tyrant of the State. The barbarians making up its vanguard are firmly entrenched within our gates, and we must face them if we are to win the world-wide war for the souls of men. At all events, we have held, yet we hear in the roll-call of Nov. 4, fresh re-force-ment and advancing knowledge the battle is fiercely joined.

As a pattern set by modern autocrats, the first target is control of the electric power industry. Recall the words of Lenin "Communism is the monopoly of the whole country," and remember how Hitler and Mussolini in setting the electric power complex in order to control the economy of their nations. Even observe how every little bit of control in the smaller places of the world proclaims its revolution by a bomb in the power plant. And differing in the method of accomplishment, the aims of the satellite within our midst are to gain the same control. Nor have their successes been inconconsiderable, when we realize that in just two decades the percentage of electrical power, Seniors Morse and Neuman's recent report, has increased from 17% to 85%. The average of the three segments of the Utilities Industry, Plant Investment for the latest annual period is up in the neighborhood of $7 billion and the amount of money raised in the capital market surpass all previous periods—all this on top of nearly $50 billion in new investment in the preceding decade.

For electric power, installed generating capacity on Aug. 31, 1956 was reported at 138,192,000 kilowatts, an increase of 8.3% over the figure in the latest 12 months gained in the previous similar period. New money raised in the first nine months of 1956 was reported at $1,966 million, only slightly below the peak figures for the first three quarters of 1955 of $1,966 million.

The Gas Industry added another $891,000 customers during the year, bringing the present total to around 31 million. Construction expenditures for distribution and transmission are estimated at $1,886 million for the year, the second highest period on record and close to the peak rate of $1,952 million for the 12 months ended June 30, 1955. Revenues for the 12 months ended June 30, 1956 were $6,822 million reflecting an increase of 12.5% over the preceding similar period, and financing for the calendar year 1957 amounted to $2,422 million as compared with $1,394 in the year 1956 and $1,418 in 1955.

Similarly, the Telephone Industry revealed further growth. Telephones in service at the end of 1956 were 54,341,000 for the Bell System and $4,484,000 for outside companies showing an annual increase of 5.6%. During the last year, new increases made in telephone plant amounted to $277 million or $2,927 million, only stood at $22,441 million.

The cost of money to utility companies varied widely in accordance with the prevailing ease and restrictiveness of the money market. Our analysis shows that preference for funded debt prevailed and equity financing provided only 20.4% of the total. It should be realized, however, that in spite of this, there has been little deterioration in debt-equity ratios because of the size of the retained earnings and funds resulting from accelerated depreciation. For comparative purposes we show relative yields on different types of public

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Report of IBA State Legislation Committee

In his report reviewing the various activities of the State Legislative Committee, Harry Beecroft, of Beecroft, Cole & Co., Topeka, Kan., stresses the close working relationship established with state security commissioners and their national organization, and close attention paid to variable annuities events.

Text of the Report follows:

The Committee has prepared a statement of procedures for Organization and Operation of Group Legislation Committees, which is attached as Appendix A. It is hoped that this statement will provide a simple guide for subsequent years for the organization and operation of effective legislation committees. We particularly direct attention to the comment that: "In all state legislative work concerning the regulation of the sale of securities a fundamental basis and objective should be recognition of investment banking as a profession in which only responsible and objective persons should engage. Thus, state legislation regulating the sale of securities is at its best when it protects the investor, while also eliminating irresponsible persons whose judgment is tempered by greed, but permitted to conduct the securities business by responsible and honest persons with a minimum of regulation."

The statement also emphasizes that honest and intelligent administration of the law is equally important with sound legislation.

Chairman Beecroft's report presents a recommended checklist on organizing and operating state legislative committees concerned with better regulation of securities' sales; lists and summarizes amendments to states' "blue-sky" and legal investment laws; presents uniform act for simplification of fiduciary security transfers, and also depicts states with uniform and model laws governing gifts to minors.

I

State Securities Acts

Amendments this year to the Securities Acts of Connecticut, Louisiana, Mississippi and New York are summarized in Appendix B. In Virginia, Senate Bill 148, which would have given the state Corporation Commission broad additional authority to deny or revoke registration of securities, was defeated. The Virginia members of the IBA strongly opposed adoption of this bill because they believed the Virginia Securities Act already provides adequate authority for the Commission to deny or revoke the registration of securities. We commend the Virginia members for their successful opposition to this bill.

Recognizing that fact, the IBA has through the years maintained a close working relationship with the various state securities commissioners and their national organization, The North American Securities Administrators. This year the President of the IBA, the Chairman of this Committee and the Assistant General Counsel of the IBA attended the Annual Meeting of the N.A.S.A. We urge that all members in their respective states cooperate in every way possible with the securities commissions in their states.

II

"Variable Annuities"

The Supreme Court of the U. S. on Oct. 15, 1957 upheld the IBA's case brought before the SEC (in which the IBA was represented as a plaintiff) against the Variable Annuity Life Insurance Company of America (V.A.L.I.C.). In the SEC asked for an injunction restraining V.A.L.I.C. and the Equity Annuity Life Insurance Company from selling or offering for sale "variable annuity" contracts unless the contracts were registered under the Securities Act of 1933 and unless the company was registered under the Investment Company Act of 1940. The Federal District Court for the District of Columbia on Sept. 3, 1957 dismissed the case; the U. S. Court of Appeals for the District of Columbia in May 22, 1958 affirmed the judgment of the District Court; the Court of Appeals has now agreed to review the case.

Bills were introduced again this year in the New Jersey Legislature to authorize insurance companies to sell "variable annuity" contracts in that state. At hearings on these bills on May 2 the Commissioner of Insurance of the General Assembly of New Jersey, Miss Joan S. Bodner, urged that such legislation not be adopted until "variable annuities" are subject to the same regulation as other securities. The bills have been referred to the Committee and, at the time that this report was prepared, were pending before a Committee of the New Jersey Senate.

Applications by "variable annuity" companies for authorization to sell their contracts in Virginia were originally scheduled for a hearing before the Virginia Corporation Commission on April 23, but those hearings were postponed indefinitely and it is our understanding that the applications were subsequently withdrawn.

In West Virginia a petition filed on behalf of the Securities Commissioner of West Virginia in the Circuit Court of Kanawha County seeks to enjoin the sale of "variable annuity" contracts by V.A.L.I.C. (which has been authorized by the Insurance Commissioner of West Virginia to sell its contracts in West Virginia) until contracts are registered as securities under the West Virginia Securities Act and until the Corporation Commission is required to register a dealer under that Act. This case was pending before the court at the time that this report was prepared.

III

Gifts to Minors

The Uniform Gifts to Minors Act has now been adopted (with some modification in certain states) in the following 33 states:

Alabama
Arizona
Arkansas
Connecticut
Delaware
Florida
Idaho
Indiana
Kansas
Kentucky
Louisiana
Maryland
Massachusetts
Minnesota
Mississippi
Missouri
Montana
Nebraska

Nevada
New Hampshire
New Mexico
North Dakota
Oklahoma
Pennsylvania
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
West Virginia
Wisconsin
Wyoming

The Model Act for Gifts to Minors, which was used prior to approval of the Uniform Act, has been adopted (with some modification in certain states) in the following 10 states and the District of Columbia:

Alabama
California
Colorado
District of Columbia
Georgia
Michigan
New Jersey
New York
North Carolina
North Dakota
Ohio
Iowa
Oregon
Pennsylvania
South Carolina

Since there have been numerous important questions about tax considerations in connection with gifts to minors, we are summarizing herein some of the principal tax considerations involved:

(a) The Internal Revenue Service has ruled that a gift under the Model Act was a completed gift at the time of the transfer and qualified for the annual gift tax exclusion of $2,000 ($6,000 for a married couple), and it appears that the same ruling would apply under the Uniform Act.

(b) The Internal Revenue Service has held that, regardless of the relationship of the donor or of the custodian to the donee, income derived from property transferred under the Act which is used in the discharge or satisfaction, in whole or in part, of a legal obligation of any person to support or maintain a minor is, to the extent so used, taxable to such person. The extent to which income derived from the property in question is not so includable in the gross income of the person obligated to support or maintain the donee, such income is taxable to the donee.

(c) The Internal Revenue Service has ruled that the value of property transferred by a donor to himself as a custodian for a minor donee, pursuant to the provisions of the Model Act, is includable in the donee's gross estate for federal estate tax purposes. In the event of his death while acting as custodian, and before the donee attains the age of 21 years, it appears that estate tax consequences might be avoided by appointment of a custodian other than the donor, preferably someone who is under no duty to support the donee.

IV

Legal Investment Laws

Amendments this year to the Louisiana Investment Code, New York and Rhode Island are summarized in Appendix C.

V

Security Transfers by Fiduciaries

There is now available a Uniform Act for simplification of IBA transfer requirements. Continued on page 60

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Report of the IBA Federal Taxation Committee

Numerous examples, some funny and others not humorous at all, are contained in a report on the paramount need for tax relief legislation turned over to IBA group as a whole by Committee Chairman Walter Maynard Jr. of Spartanburg, S.C., and his Ways and Means Committee.

"As a result of the tax relief proposals, the Committee observes that this action should result in greatly increased revenues and stabilized security markets."

Text of the Report follows:

A year ago at this time a recession in our economy was clearly present, and many observers of the tax scene were hopeful that the Administration's reaction to this economic challenge would be the logical one of reducing punitive rates of taxation. As the event turned out, Congress again continued the customary political method of dealing with the problem, and raised expenditures substantially while leaving tax rates unchanged. The result of this action, combined with the declining productivity of our progress, added in prospectively to a $10 billion deficit in the present fiscal year.

The elections have resulted in a substantial increase in the strength of the Democratic contingent in Congress, and 54 Senators and 223 members of the House have been elected with AFL-CIO endorsement. Senator Byrd still heads the Senate Finance Committee and the Chairman of the House Ways and Means Committee will be Representative Wilbur Mills of Arkansas; who is a true scholar in the field of taxation, and within the limits of what is politically possible, can expected.

Voicing hope that there will be bipartisan agreement on some tax reform when Congress meets in January; IBA Committee of tax experts stress crucial need to reduce the capital gains levy, tax on dividends; personal income tax rates; and permit averaging of incomes over a "reasonable" period.

As a result of the tax relief proposals, the Committee estimates that this action should result in greatly increased revenues and stabilized security markets.
Report of IBA Investment Companies Committee

Investment bankers are brought up to date on significant Federal and state, and other developments affecting investment companies. The IBA Committee finds unjustified Illinois restrictions on interlocking directories with respect to investment fund management, supplements IBA State Legislative Committee's comments on variable annuities, and describes increasing public information and education activities successfully pursued.

The Chairman of the IBA Investment Companies Committee, Charles F. Eaton, Jr., of Eaton & Howard, Inc. Boston, informs his banking colleagues of five principal trends in the investment company field during 1958, a year which experienced a 13.7 per cent increase in rate of investment company assets purchased by investors.

Text of the Report follows:

The open-end investment company industry will have estimated assets of $13.5 billion by the end of this year. This figure represents holdings of only 3.5 per cent of the available supply of money savings. The investment company industry has grown impressively over the past decade, and it continues to attract the interest of individuals and institutions.

A recent estimate of the number of active investors in the United States indicates that one investor in six, 17 million, is a holder of the shares of mutual funds. During 1958 investors purchased investment company shares at a rate slightly above that of 1957. An estimated $5.5 billion of new fund shares will have been purchased this year. There will be an increase of 200,000 agents during the year. A particularly important part of this increase in the number of new accumulation plans opened, $230,000, for investment of moderate amounts of money on a monthly or quarterly basis. It is estimated that there are in excess of $600,000 accumulation plans now in force and that the investment company industry is under these plans have a value in excess of $1.3 billion.

Growth is evident in another way. During the year, some 18 new funds were formed. During 1958 additions to and adjustments in investment company portfolios, because of the sale of new shares and changing investment conditions, were effected by portfolio purchases of $2.7 billion and sales from portfolios of $1.9 billion. The bulk of these transactions took place on the organized security exchanges or in over-the-counter markets.

Thesentations on the trends in the investment company field are, I know, important to you. As I have pointed out in the past, most IBA members have more than passing interest in investment companies and the services they provide Many members engage in the distribution of shares of investment companies to the public. Other IBA members act as underwriters for investment companies, or perform investment services in connection with the supervision of investment companies.

The Investment Companies Committee has, during the past year, attempted to maintain a close liaison with the National Association of Securities Dealers and its various operating committees, and with the Investment Companies Committee of the National Association of Securities Dealers. The summary which follows sketches the developments in the investment company field which have been the principal concern of this Committee during the past year.

Federal and State Developments

In 1958 there have been many significant regulatory and legislative developments in the securities, tax and related fields on both state and federal levels. A brief summary of some of which are of particular importance follows.

Rule N-22D: In May, the SEC published a proposal that a rule N-22D be added to Section 3(d) of the Investment Company Act. Section 23(d) requires investment company shares to be sold at a public offering price within the range of the investor's price. The proposed rule would codify administrative interpretations of the SEC.

Among other things, the rule would prevent various people from using new purchases of shares in order to obtain quantity discounts.

A recent held hearings on the proposed rule in July, and its comments are not available.

Rule N-10F-3: On July 15, 1958 the SEC proposed a new rule under the Investment Company Act. This rule (N-10F-3) would establish definite criteria as conditions for automatic exemptions from Section 10(f) of the Act. The rule would permit regulated investment companies from purchasing the securities of other companies to which the Supervision of Investment Committee.

The Investment Companies Committee has, during the past year, attempted to maintain a close liaison with the National Association of Securities Dealers and its various operating committees.

The Ways and Means Committee held hearings in July on the so-called "municipal bond" income tax bill (HR 3810, 81st, and 82nd). Under the current bill, regular investment companies are given the right to acquire new issues in the state and local government securities. It would be possible to "pass through" to their shareholders the interest received by the exempt status. Among those testifying in support of the bill were Arthur Leavy, Counselor of the State of New York, Wesley Lane, counsel for the New Jersey Senate, Edward B. Burr, spokesman for the National Association of Investment Companies, and S. L. Shelly of Keyes and Hearing, who held before a broader bill (HR 8702) which would extend the privilege to all companies. The Senate Finance Committee in July, in its report, urged that investment companies be exempt from tax. The American Bar Association at its annual convention in California adopted a resolution to the same effect. It is quite certain that efforts will be made in 1959 to have the law changed.

Other Federal Legislation

Your committee has closely followed other legislation which preceded before the 8th Congress but were not enacted.

These bills were:

(1) The Fulbright Bill (S 1160). This bill provides for the registration of certain corporations whose securities are sold to foreign nationals and other information to their shareholders and the SEC. Investment companies already furnish such information, and the bill contains a specific exemption for investment companies.

(2) The "Privilege of Doing Business" Act (HR 2590). This bill would have required broker-dealers to pay a registration fee to the SEC for the privilege of doing business, measured by the aggregate dollar amount of securities sold. It was passed by the Senate without hearing in 1857, but no action was taken on it or on an identical Bill (HR 7778) in the 81st Congress.

(3) (S 601). This bill would have amended the Securities Exchange Act of 1934 to require the registration of the "beneficial owner" of proxies given or exercised in respect to securities listed on a national exchange.

(Area Bills (S 198, 722, HR 7698). These bills would require corporations to give prior notice to the SEC on any acquisition of interests in other corporations, or on the acquisition of securities of other companies. They contain provisions which provide for the disallowance of the voting stock of the company whose shares are acquired.

Study of Size

The Investment Company General and Federal regulatory agencies of the acquisition of stock or assets of other corporations. They contain provisions which provide for the disallowance of the voting stock of the company whose shares are acquired.

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FOREWORD

Experts in aviation financing warn fellow investment bankers that the Government in certain areas is unwittingly penalizing rather than stimulating the aviation industry. The nine-man Committee of financial executives earnestly recommends a program said to allow the industry the earning power, stability, growth potential, and incentives to attract the necessary capital, management, and resources in a highly competitive economy—lest we lose aviation superiority to the Communist Bloc.

Pointing out earning declines in aircraft manufacturing and airline operations, capital shortages and continued disparity between the splendid 1938 Civil Aeronautics Act and its administration by CAB, jeopardizes our air superiority, the Aviation Securities Committee outlines a series of recommendations to achieve financial efficiency of the industry. The Chairman of the Committee, Donald N. McDonnell, of Blyth & Co., New York City, delivered the report to the 1938 CAB convention.

Donald N. McDonnell
American Aviation: A Crucial Partnership of Government and Industry

The security and well-being of our nation continues to depend in large measure upon a unique partnership between the American Government and the aviation industry. Because this partnership appears unequal, with government undertaking the most critical responsibilities for stimulating the industry, there is a real danger that our system may be weighed in the scale of history and found wanting.

Our Defense Department relies upon a few private aircraft manufacturers to maintain the Free World's strategic air and rocket superiority over the combined resources of the most powerful Communist aggressor in history. Our Civil Aeronautics Board regulates our airlines as the major commercial supplier of U. S. intercity passenger and cargo transport, the principal source of our military transport fleet, and the sole representative of American enterprise abroad in competition with SovietCOPYRIGHT

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Ours is an industry that is vital to every citizen of our nation. Because many of the industry's financial problems are the result of relations with our Government, we urge the financial and investment community at large to make their views known in Washington. We urge Association members who concur with our report to distribute copies to their clients and to petition their Representatives in Congress.

Neither as citizens nor as bankers can we allow our industry to falter for want of intelligent financial support.

FRASER, Volume 188, Number 5804, The Commercial and Financial Chronicle
Report of IBA Nuclear Industry Committee

Paul F. Genachke, of Chase Manhattan Bank, New York City, as Chairman of the Nuclear Industry Committee, presents to his banking colleagues at their annual convention his Committee's expert analysis of the atomic energy developments here and abroad. The Chase Manhattan banker's broad and fine strokes of the present and future picture of nuclear energy deals with the disenchanted experience, successes obtained, and reasonable, reassuring prospects for tomorrow.

Text of the Report follows:

Fusion vs. Fission

Geneva was the center of the nuclear world for the first half of September 1968. Over 6,000 delegates and observers from 69 countries reviewed the present uses of nuclear energy and considered how it might be used most fruitfully in the future. Scientific and commercial exhibits were featured at the same time. The Geneva Conference is likely to have had a profound effect on the development of atomic energy.

The truly phenomenal feature at the scientific exhibit was the United States display of controlled thermonuclear or fusion devices. It may be said that, as a result of this Conference, research in controlled thermonuclear or fusion power will from now on be completely devoid of secrecy. This in itself is a remarkable achievement, just as the 1955 Geneva meetings are to be credited with the large amount of declassification which has occurred in the field of nuclear fusion. It was constantly emphasized at this year's Conference that a very long road lies ahead to the accomplishment of a self-sustaining reaction that is a net power producer, i.e., a reaction that gives off more power than is needed by the containment device.

At the previous 1955 Conference, scientists of India had predicted that a method would be found to liberate nuclear fusion energy in a controlled fashion within the next two decades. Although the papers presented at this year's Conference showed that remarkable progress has been made in this field on a very broad front, it may be under the most conservative estimates, at least 10 years must elapse before a net point of experimental devices and it may take a period at least as long to develop industrial scale machinery. The time scale given by others goes as high as 50 years. Although temperatures of several million degrees have been reached in fusion reactions, the problem is to reach temperatures of at least 100 million degrees-circumference. The problem is also to hold these high temperatures for a sufficiently long time for an appreciable proportion of the deuterium to be converted. Thus, for a long time to come, we are going to put out a flood of accounts of amazing experiments without getting any out. It is perhaps also well to keep in mind that the technology when harnessed—appears to be even more formidable than it is in plants which may exceed half a million kilowatts. Fusion will cost construction, fuel, and will not put it out of business, not any more than atomic energy from fissile will render coal, oil or natural gas obsolete. Let us only hope that atomic energy in the form of fission is sufficiently developed before 1963, nuclear power economics will be adequate to develop this new high temperature atomic energy as released in fission.

II

Atomic Energy—A New Source of Energy

In reviewing the progress made to date, our best guide is to analyze the reports of the Nuclear Industry Conference of 1958. The industry was not quite the same enthusiasm in Geneva as at the Conference of 1958, although it was greater and more papers were delivered. Fusion may best be summarized by saying that the honeymoon period of atomic energy is over; the glamour is gone. However, a much more wholesome and interesting life is to follow and what will be built now will endure.

No Panacea for Economic Ills

The excitement of 1958 was brought about mainly by the underdeveloped nations of the world in anticipating that impending atomic energy developments would solve the problems of their standard of living and ours and go a long way toward industrialization. They regarded atomic energy as a panacea that would eventually cure all economic ills. These nations today realize atomic power will not perform miracles and that even to build reactors of limited capacity, such as 50,000 kilowatts, would in itself solve nothing.

First of all, reactors being more complicated machines than conventional power plants, the investment per kilowatt is considerably higher in nuclear power plants than in conventional plants. This investment problem becomes even more acute in the case of small nuclear power stations. Thus, the financing problems of these nations for nuclear power projects are made even more difficult. Furthermore, insofar as the cost factors are concerned, the energy produced in small atomic plants would hardly be cheaper than the most expensive electric energy produced by conventional means, such as diesel plants. Next, a rough rule of thumb indicates that the investment in industrial plants to utilize the power produced in a conventional or nuclear power station is 10 to 20 times that in generating equipment. It is therefore not sufficient to build a nuclear power station without at the same time building up industries that can utilize the power. And finally but not least—there is the consideration of the load factor. Let us explain. The cost of the electric kilowathour is made up of two parts:

(1) The fixed charges on the investment per kiloWatt of power. Since there are 8,760 hours in a year, 1 kilowatt of power at 100% load factor will deliver 6,760 kiloWathours of energy. At 50% load factor, the kilowatt will only deliver 1,900 kiloWathours. It is evident that the load should be full, 24/7, all the year round, in order to get the cost down to as close as possible to 100% so as to avoid the ever-increasing costs of generating equipment and, more costly, the never-ending costs of interest and depreciation on an unloaded plant, or, in more technical terms, so as not to incur undue high fixed charges for generating equipment per kilowathour produced.

(2) The second element of cost is the nuclear fuel per kilowathour, just as there is a fuel charge for coal, oil or natural gas. In some of the underdeveloped nations, reactors installed in remote areas are so expensive that the power would in most instances operate at high load factors. Even when atomic energy will become competitive, it will only be so at high load factors. In the early years, the number of years many must pass before reactors can compete with conventional power at low load factors, or to carry the peak load in utility systems. These are the reasons for the disenchantment of some nations which now realize that atomic energy will not be the ready or the quick cure-all for their lack of industrial development. Rather, it is likely that in spite of atomic energy efforts, the underdeveloped and the more technically advanced or industrially sophisticated nations will continue to widen for a couple of decades before it begins to get narrower.

Remarkable Progress Nevertheless

If, in relative terms, some nations thus appear to have lost further ground in their efforts toward industrialization, nevertheless, the atomic energy field, in absolute terms, has made remarkable progress in the world since 1955 and particularly in this country since 1954 when the Atomic Energy Act was passed, permitting private industry to work. The United States, Soviet Russia, the United Kingdom, Canada, France, Germany and a few other nations, have made enormous strides in the holding the lead with the most diversified program. The truly big disappointment of the Conference, however, was that although it has been gained in reactor technology since 1958, nuclear power economics are still such that nuclear power plant costs are hardly more reliable and predictable than in 1958. The United Kingdom has demonstrated that economic fuel expected to achieve a burn-up of at least 3,000 megawatt-days per ton of uranium. Reactors using uranium oxide fuel such as British, French and Japanese reactors expect burn-ups of 10,000 megawatt-days per ton; for this reason we reported at Geneva, although we now have 17 reactor-years of Continued on page 68
A group of Government finance specialists sound a warning to the Treasury about the public’s hesitancy to hold on to long-term fixed-income issues and the flight into common stock and short issues, because of the fear of inflation, which adds to the Treasury’s problem in financing and lengthening the structure of the Federal debt. The report delivered to investment bankers by Committee Chairman Robert B. Blyth calls for a study of speculation in the bond market and repurchase agreements and points out budgetary cost of increased rates is nominal compared to toll of inflation induced by easy money.

**Monetary Objective**

The broad objectives of our nation’s monetary policy are to encourage the sound long-term growth of our economy while at the same time protecting the value of our dollar and the value of the savings of our people to the maximum extent possible. There can be no challenge to those objectives, but the precise techniques of fiscal and monetary policy are certainly a proper subject for review. Recent newspaper stories state that Congress again will be asked to enact U. S. monetary and fiscal policies. One result of this is expected to be the cost of servicing the Federal debt.

Since 1951, the cost of servicing the debt has increased 25% whereas budgeted expenditures in this fiscal year are up 75%. The Treasury is now offering 4% refunding in the new Federal National Product. In 1951, the cost of servicing the debt was 13% of the budget and 16% of Gross National Product. It is clear that the cost of servicing our debt has not increased as much as other parts of the budget and that the budget’s relative basis has been declining both in relation to the total Federal budget and to Gross National Product.

Furthermore, the increased cost of servicing the debt in some real measure is the result of the failure of Congress to balance the budget in the intervening period with a resulting increase in the public debt of nearly $20 billion dollars.

Continued on page 71
Report of IBA Railroad Securities Committee

Included among the reasons for the brighter future for rails, Chairman Alfred J. Ross, of Dick & Merle-Smith, New York City, points out in the Railroad Securities Committee report the considerable improvement in the laws regulating the industry and the additional requests that will be made when Congress meets again in January.

Text of the Report follows:

At a time a year ago your Committee in reporting to you emphasized the deplorable credit position of the railroad industry.

In this connection the Committee stated: "With few exceptions, railroad credit is at such a low level that most roads cannot finance necessary additions and betterments to roadways and structures...

Paradoxical Situation

The industry’s continuing need for new capital funds each year has created a paradoxical situation. Management, having limited or no access to capital markets, and other than for equipment (and in certain instances even this money was unavailable), is compelled to penalize stockholders to obtain funds for modernization and improvements. Since most roads are unable to sell any appreciable amount of mortgage bonds, the outstanding mortgage bonds are constantly being strengthened by the additional property investment placed behind them and paid for out of retained earnings.

Rapidly declining railroad traffic in the latter part of last year followed by a contraction in earnings, weakened treasurer’s position caused such grave fears in Congress of an imminent financial collapse in the railroad industry, that action was taken to alleviate the problem. On Nov. 22, 1957 it was announced by Senator Magnuson, Chairman of the Senate Interstate and Foreign Commerce Committee, that hearings would begin on Jan. 13, 1958 before a Sub-Committee, Senator George A. Smothers, Chairman, to study the deteriorating railroad situation. In his remarks opening the hearings on Jan. 13, 1958, Senator Smothers citing certain statistics, commented, in part, as follows:

"These ominous statistics call for action. It is clear that a study must be quickly undertaken and solutions provided to the problems presented if we are to keep the railroads alive and a part of an effective integrated transportation system in these United States, and if we are to keep them completely out of government ownership."

The conclusion of the hearings on April 3, 1958, Senator Smothers made certain pertinent observations, including:

"It seems apparent that all is not well with the railroads, not only to restore health to the railroads but to enable them to be viable in the administration or legislative action. The patient must also demonstrate that it is willing to assume the burden of an aggressive spirit to compete with other forms of transportation.

"The problems of the railroads are wide and varied—some are technical, some are institutional and many are factors which are so complex, factors, there is a wide divergence of opinion regarding solutions."

"However, one thing is certain. The solution is neither simple nor easy. There cannot be found in a single program, in not in a single approach."

Improved Results

In the opinion of your Committee, these hearings and investigation, as well as the public relations work so ably done by rail management, have been of investi- gate value, in getting the public generally to better understand the predicament of the railroad industry and the severe handicaps under which it is compelled to operate.

Legislatively speaking, the Transportation Act of 1955 was the outgrowth of the hearings, also the repeal of the 3% tax on for- hire transportation. In addition, the hearings are responsible for Senate Resolution 361, which authorized the Senate Committee on Interstate and For- eign Commerce to make a report on important problems of transportation policy not yet resolved, with recommendations for future action.

Although not by any means a panacea for the railroad ills, it is the belief of your Committee that the 85th Congress has done more to correct inequities hampering the industry, more to provide for the future of the industry than any similar legislation since the passage of the Transportation Act of 1935. In his connection Senator Smothers and a number of his colleagues cannot receive too much praise for their splendid cooperation and sense of fair play. There still, however, much more to be accomplished both internally and externally.

D I S C O U N T C O R P O R A T I O N
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The Committee, chaired by Edmund N. Morse, of Smith, Barney & Co., New York City, included in its report to this year's Convention, for updating purposes, various topics discussed by its predecessors, and explored several new areas pertaining to the industry with a view toward perhaps "creating a new attitude toward the oil industry."

The current state of the oil industry is the subject of this report. The committee discussed the current oil situation, including crude oil import restrictions and the effects of these restrictions on the global oil market. They also addressed the issue of increased demand for crude oil, particularly in the United States, and the impact of this demand on the domestic oil industry.

The report also includes a discussion of the integration of the oil industry, both domestically and internationally. The committee noted the increasing importance of multinational oil companies and the challenges they face in navigating different regulatory environments.

In terms of policy recommendations, the committee called for increased cooperation between the oil industry and governments to address the challenges of increased demand and supply. They also emphasized the importance of transparency and public engagement in decision-making processes related to oil policy.

Overall, the report provided a comprehensive overview of the current state of the oil industry, highlighting both its strengths and challenges, and offering potential solutions for future growth and stability.
Canadian Committee, headed by American and Canadian bankers, presents from the Government point of view an interpretation of his country's recent economic performance, Government and Central Bank action, and major problems underlying nation's domestic and foreign policy.
In Attendance at the IBA Convention

Securities of the United States Government and its Agencies

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utilities securities as of Oct. 31 in each of the last three years.

1935 1936 1937

Bonds—Yields to Maturity
Triple A...4.15 3.86%
Double A 4.27 4.06
A 4.43 4.06
Preferred Stocks—Yields
Group I 4.83 4.43%
Group II 5.04 4.46
Group III 4.97 4.69
Common Stocks—Yields
Group I .47% 4.14%
Group II 4.43 3.92
Group III 5.92 3.82
Prepared by Irving Trust Co.

It will be noted that the average yield on Electric Utility common was close to 4.5% and in both 1935 and 1936 approximately 15% of those having any significant investor interest have increased their dividends. This again proves the ability of this group not only to maintain but to increase its earnings as much as 5%-7% during a recession period.

This is an outstanding performance when compared with share declines experienced by many industries. While total industrial production averaged 10.6% lower during the first half of 1936 than the same period a year ago, outstanding marks were made.

The industry has very effectively controlled costs, two of the largest items being labor and fuel. Again, the industry is unusual in that the labor factor represents less than 20% of total revenues. Increased wages amounted to an average of about $1.50 per month, or equivalent to only about 1% of operating revenues. Continued installation of larger, more efficient generating units has added in fuel costs; also, coal prices have tended to stabilize and, of late, even weaken somewhat.

At the 26th annual convention of the Edison Electric Institute held June 26 in Boston, Mr. J. W. McAfee, retiring President, summed up the accomplishments of the electric power industry in the past and projected the demands and expectations for 20 years into the future. As a basis for his forecast he predicted that the Gross National Product will reach about $1 trillion in 1937 dollars or about 1.25 times last year's total. Population is expected to be in the neighborhood of 255 million by the year 2000, or nearly 50% above the present and household size to amount to more than 2,82 million, an increase of two-thirds during the two decades. In order to keep pace, the industry will need an annual increase in its rate of growth of some 5%, or a doubling of sales every nine years, and, in all, reach an annual output of three trillion kwth. In 1937, this will require generating capacity of 665 million kw nearly five times what it was at the end of last year. After taking inflation account, he believes that the amount invested in electric common stock plant will have reached a figure of $221 billion or nearly six times the $39 billion invested at the end of last year. He pointed out that "in the dry figures projected the future is blood of exciting accomplishments to come. These forecasts present an exciting prospect. This is the kind of a job that is the glory of the American energy enterprise system, the kind of achievement no one has ever been able to approach, and which, in fact, has brought leadership to America beyond that of any nation in world history."

It is needless to add that the Federal Reserve System is a large investor in the investment banking business.

Respectfully submitted,

PUBLIC UTILITIES SECURITIES COMMITTEE

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Harold H. Young
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MANHATTAN, N. Y.— Long Investment Company has opened a branch office at 110 South Fourth Street under the direction of Harry J. McLaughlin.

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ELKIN, N. C.—Morrison & Company, a leading source of office in the Elkin Loan and�Assur-

Two With Sterling Assoc.

(Special to The Commercial Chronicle)

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Joints Camp & Co.


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Continued from page 21

"Gun-Jumping Problems Under Section 5"

bring an issue to market must choose its advertising department, its public relations people and its officers and employees. Certainly, an issuer may continue the normal conduct of its business and it may continue its publication of quarterly financial statements. Thus, it may continue to publish advertisements of its products and services without interruption. It may send out its annual and other periodic reports to its customers. It may publish its proxy statements, send out its dividend notices, and make routine announcements for the public press. The SEC does not normally regard these activities as any of its business. But when, on the other hand, public statements of various sorts begin to appear shortly before the filing of a registration statement which discusses such aspects of a business as its finances, its earnings or future growth prospects in glowing and optimistic terms; speaking in seductive fashion, the favorable or unfavorable, I think it is logical to condition the market for the forthcoming sale of the issue, and that such statements are a part of the selling effort and are in violation of the law.

Analyses of Security Issues

It has also been contended that, in spite of our repeated efforts to clarify our understanding of the effect of Section 5, the case law of Section 5 has been such that the SEC is entitled to some measure of relief in the absence of an express statement. In this context, the SEC has been careful to state that we have never raised any questions in this regard, so long as the organization which is publishing such reports is not engaged in the same time in the sale of its unregistered securities. I again refer to the statement of Judge Burns in Release No. 464, although this release as well as the others to which I referred must be read in the context under which they were issued. The issue before us has never been answered more clearly.

The question of when such an organization becomes interested in the sale of a new issue and should therefore stop and analyze its program of financial analysis for the time being does not seem to need to be particularly baffling or complex. We think that, ordinarily, a dealer is not required to pay much attention to the financing plans of an issue until the offer to underwrite has been made. We believe that it is all right to contract with underwriters to underwrite securities, and that the underwriters and the after-market influence induced by the underwriter should not be given any attention at all in the records of the Court and the cases under Section 5 to constitute an infringement on the freedom of the press. This is an idle remark which would never be conceived by one who had read the plain words of the law, or was familiar with the express intent of Congress in enacting it or with the history which lies behind it. What the press may choose to publish with reference to financial affairs, whether fact or fancy is, of course, one of our business. Most financial and other public information, at least that concerning most established enterprises, can be gathered from open and public sources. Moreover, it is our duty and concern to us if the financial public chooses to publish any of the rumors which, some true, some false, are as incredible to us as to the public, as often is the case in Wall Street as it is the odor of roasting coffee. All that the law says is that no issuer or underwriter may be a party to any publicity campaign in connection with a forthcoming, but unregistered, issue of securities. That law we intend to enforce.

The SEC has for some time been hearing of cases where long-awaited offerings have been brought to bear on issuers and underwriters who have made public offerings. For many months, however, the bank's manfully has not received a prospective publication, either. It was materially amended in 1894 when the SEC was established. The Secretary of the SEC, in pursuance of the recommendations of the Commission, has in a letter to the SEC, and we felt that the law should be interpreted to include only those who have not been the beneficiaries of the amended Act. It has been interpreted as a rule of the industry of the limitations of Section 4(1) which had the effect of prohibiting transactions by dealers in securities as to which a registration statement had been filed for one year after the effective date of the registration statement under which the registration statement had been filed or given to the purchaser. Among other things, this amendment, to which the Commission agreed, made it possible for dealers to send out their own literature concerning registered securities to their customers upon the expiration of 40 days after the effective date without worry, about the legality of a delivery of a statutory prospectus. Provided, the dealer was not then engaged in disposing of an unsold allotment or was not otherwise participating in an incomplete distribution. The Commission believed and continues to believe that these changes in the law to legalize sales activities immediately after the filing of a registration statement and to permit a greater free press with respect to sales literature after a distribution has in fact been completed or has presumably been completed was a realistic and sensible recognition of the fact that public sales of securities are a natural and normal part of the economic laws of life. The amendments were not intended in fact to change the fundamental principle of the SEC which provided that the SEC or a dealer may not, do indirectly what is prohibited from doing directly.

I do not believe that the ability of a seller to sell or secure public free of charge

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<th>NATIONAL DISTRIBUTION of Corporate and Municipal Bonds Preferred and Common Shares</th>
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whether before or after the filling date which if passed would clearly violate the law, change the character or effect of his action in terms of the provisions of the Securities Act.

Cities Large Issue of 1934

Shortly after the adoption of the 1934 amendment, a large and newsworthy issue was placed on the market after a series of publicity releases which gave us very serious concern. The result was to whip up public interest to the point where the issue was to all intents and purposes completely sold and, in fact, oversold long before any registration statement was filed. There is every indication that the negotiations with respect to the contemplated issue price were materially affected by the indicated demand which had at least in part been stimulated by this publicity. In short, a situation generally bore, to a detached observer, a troubling resemblance to the classic pattern of security distributions as they developed in the late 1920s. In questioning whether the stock could have been sold at the other end of the prospectus had been the first step in the selling campaign, I might point out that there was a high cost for the stock shortly after free trading commenced compared to below the offering price and, as I remember it, has never been used since. In view of this situation, however, a number of other more recent indications that the securities industry was slipping into a rather nonchalant attitude toward the provisions of Section 5 of the Commission determined to, and did issue its Release 3944 in October of last year, in which we attempted to remediate the technical nature of this problem. We have since seized every oppotunity which has presented itself to reiterate this warning. We can do nothing more, as I see it, nor most certainly can we do anything less.

From the very nature of the statute, which attributes very great importance to the subjective intent of the parties, it is completely impossible to lay down hard and fast rules for general application to this question. I would like to say again that there is ample room for legitimate corporate publicity under the law, but that it is the duty of the bankers and issuers to keep in mind the purposes of the law and make sure that such publicity does not become mixed up with a securities sales campaign. The SEC has never had any reason seriously to complain of a lack of cooperation on the subject of the Securities Industry, and now for the industry to take a new and impassionate approach to this problem to consider the duties imposed on us by the Congress and to restrain itself within the limits established by law to the public issue and sale of securities. The SEC has enough to do to protect the investors in America against chicanery and fraud, and we beudge every minute which we are required to spend in guarding them against “gun-jumping” by legitimate business. We believe that a little more care on the part of some of our problems. Many factors contribute to making our system of free enterprise work. The ability of industry to grow and prosper depends upon its ability of contingent capital. Access to capital, in turn, is dependent to a large extent upon the confidence which the investing public has in securities as a safe and profitable place to invest its savings. This confidence is in large measure, the product of the function of the SEC in keeping the financial and related information in disclosed to investors. Our job is to extend and preserve this confidence, and our only reservation is due to the limited prohibitions of a carefully drawn and purposeful statute designed to see that the information so disclosed is actually fair, accurate and complete. We believe our interests and yours are identical, and that one of our primary purposes is to help you to expand it. For the SEC to do something more than American stockholders to American industry, industry is a prime investment, the SEC should actively keep the public in touch with the study of the strength of our national economy.

Shearon, Hammill Co.

Admit R. L. Speight

Ralph Speight, Jr., will become a partner in Shearon, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1.

Asiel & Company To Admit New Partners

Asiel & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, on Dec. 31 will admit D. Paul Jacoby, Richard L. Mayer and William H. House to partnership.

William Blair & Co. To Admit Bruce Thorne

CHICAGO, I11. — On Jan. 1 Bruce Thorne will be admitted to partnership in William Blair & Company, 135 South La Salle St., members of the New York and Midwest Stock Exchange. Mr. Thorne has been associated with the firm in the Buying Department.

Clark, Dodge & Co. To Admit Partner

Clark, Dodge & Co., 61 Wall St., New York City, members of the New York Stock Exchange, on Jan. 1 will admit Edward P. Combe of London to partnership in the firm.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange, has announced the following firm changes:


Laurence S. Johnson will withdraw from partnership in Auerbach Brothers & Richardson, Dec. 31.

Lester Salkin will retire from partnership in Felder & Co. Dec. 31.

Peter F. Elser will retire from partnership in G. C. Haas & Co. Dec. 31.

Clinton G. Hough will withdraw from partnership in Long & Meiner, Dec. 31.

Shanahan Bros. will be dissolved Dec. 31.

Zock, Shields & Co. will be dissolved Dec. 31.

Ronald E. Kasher, center, San Francisco, President of the San Francisco Division, Pacific Coast Stock Exchange; Ernest Hart, left, San Jose, President, Food Machinery and Chemical Corporation, and Jesse Topp, right, Los Angeles, Chairman of the Board, Bank of America, shown with the Award for Industrial Partnership in Modern Agriculture presented to the Pacific Coast Stock Exchange by the Central Valley Empire Association at the National Salute to Agriculture in Fresno, Dec. 3 Mr. Topp was the principal speaker at the dinner. The purpose of the Salute was to "show attention to the fact that modern mechanized and chemicalized agriculture is one of industry's biggest customers.

Forms Barsh Co.

PA RASC A C., N. J. — Thaddeus A. Baraszecz is engaging in a securities business from offices at 865 Main Street, New York Avenue under the firm name of Barasz & Co. Mr. Baraszec was formerly with Ira Kant & Co.

Patrick Clemens Opens

HOLLYWOOD, Calif. — Patrick H. Clemens is engaging in a securities business from offices at 6715 Hollywood Boulevard under the firm name of Patrick Clemens & Associates.

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Report of IBA Oil and Natural Gas Securities Committee

Program, of necessity, must be flexible. A review of the program established in July 1957, the changes enacted in 1958, and those now under consideration indicate a degree of flexibility. From an economic point of view, these revisions in the program must be followed carefully since each carries certain implications for particular companies.

The "Carson Plan"

As a result of many requests for additional import allocations and in response to suggestions from members of the petroleum industry that allocations of imports be related to refinery capacity, the Administrator of the Voluntary Oil Import Program, Captain Matthew V. Carson, Jr., advanced a new program for import control on Sept. 10, 1958. The proposed program has been thoroughly studied by the industry, and company comments have been forwarded to the Administrator as requested. Possible revisions of the plan are now being studied prior to the acceptance of a new program by the Voluntary Oil Import Committee.

The newly proposed plan tends to turn away from allocations based on historical rates of crude oil imports and instead uses refinery locations in relationship to refinery capacity and runs. Under the new tentative plan, total crude import limits are set at 751,300 b/d, which is 15% of domestic production. To this is added 75,000 b/d of other unfilled quota. Total permissible imports are therefore fixed at 826,300 b/d, which is 10.1% of annual total demand. Present import allocations will remain in effect until Jan. 1, 1959. Following that date, allocations under the proposed plan will be as follows:

Jan. 1, 1958 to June 30, 1958—100% of past allocations. July 1, 1958 to Nov. 30, 1958—allocations greater than 100% of past allocations will be granted.

Under the proposed new plan, the import quotas of historical importers would be set at 100% of past allocations to the total of industry refinery runs for the year ending August 30th prior to the effective date of the allocation. For example, if the allowable level of total imports is 114% of industry refinery runs, each refinery could receive 114% of its refinery runs in an oil importation.

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The Natural Gas Situation

EDITOR'S NOTE: Subsequent to the presentation of the Committee's report to the Convention, the United States Supreme Court reversed the lower court's so-called "Memphis Decision." However, we deem it of interest, and for the record, to carry the Committee's accompanying views on the impact of that "Decision" on the various segments of the natural gas industry.

On Nov. 21, 1957 the United States Court of Appeals for the District of Columbia Circuit issued the now-famous "Memphis Decision" upholding the accepted procedure under which the gas lines have been applied to the Federal Power Commission for increased rates under their service agreements with their customer distribution companies. The pipeline industry and the Federal Power Commission presented a joint front in petitioning the U. S. Supreme Court for immediate review prior to its summer recess. Early in January the Supreme Court agreed to review the lower court decision and denied the petition to hear the case prior to the summer recess. The Supreme Court heard argument on the appeal on Oct. 20 and 21 and a decision is now expected before the end of the year.

In the meantime, the Memphis Decision has had a serious impact on the natural gas transmission industry, although some companies have been much more severely affected than others. In its decision, the Supreme Court ruled that before a contract can be imposed, a non-petitioner must have been served with a notice of the petition. In other cases, the Supreme Court has gone so far as to declare that the uncertainties arising from the decision have acted as a hindrance to market development.

The last year has brought forth no clarification of the regulatory situation with respect to independent producers of natural gas. About three years have elapsed since the City of Detroit case that commanded public attention and which led to the establishment of a natural gas and established an area for a rate of return which the Commission finds to be "fair."
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Continued from page 41

Report of IBA Oil and Natural Gas Securities Committee

some violent swings in the money market, to put the matter mildly. The bond market is, of course, of primary concern to natural gas transmission companies. All types of borrowers are concerned with the level of the bond market; however, there are aspects in the pattern of pipeline financing which make this industry especially sensitive to the effect of these higher interest costs. One of these factors is the higher proportion of debt employed by natural gas pipelines in financing their expansion programs and the other is the rapid rate of amortization applicable to pipeline indebtedness. The operation of sinking fund results funds in the rapid retirement of the earlier low-cost issues and replacement with the higher-cost issues of more recent years. By contrast, other public utilities such as the electric light and power industry carry much slower sinking fund requirements

and most of these requirements may be offset or canceled out against net property additions, with the result that actual retirement of the electric industry's previously-issued bonds are a rare occurrence. The pipeline industry, on the other hand, does not generally have a provision permitting a credit for property additions against sinking fund retirements. The rapidly increasing cost of senior capital experienced by all borrowers including the pipeline industry obviously can result in a serious squeeze on the common stock equity component of the capitalization unless the Federal Power Commission allows a compensatory increase in the overall rate of return. Reflecting these circumstances, a number of pipeline companies have applied for rates of return of 6.5% and more but most such cases remaining pending.

The lack of visible progress toward solving the industry's regulatory problems is both frustrating and inhibitive as they are, has however been ineffective in generating or even sustaining its growth trends. In witness to the latest AGA estimates that expenditures on new gas facilities in 1966 will amount to $19.1 billion. That more would have been achieved had not caused cutbacks or cancellations of planned construction) seems less important than the demonstration that the industry has been able to maintain its vitality in spite of adversity. Natural gas revenue stamps realized by the consumer (such as the heating oil for the house heating market and continues to market its product in the traditional manner. As a result, heating oil sales volume to the public of 106.7 billion barrels in 1960 to 106.3 billion barrels in 1961 with a corresponding in 3% and, according to the AGA, will continue advancing to 1967 in the mid-1960's. The effect of these trends is apparent in the industry's operating results for the period ended June 30, 1965. Operating revenues for the period were $6.6 billion, 5% increase, and net income 17.5%. Also during this period gas-fueled air transport shows a further increase in the number of passengers carried and in tonnage freight carried. On the other hand, gas production, as expected, had a 25% of all energy consumed in the U.S.

Oil demand in free foreign areas in an earlier stage of development and seems likely to continue to expand more rapidly than in the United States. Supporting this outlook is the fact that the demand for gas in many foreign regions and the difficulty of replacing loss of capacity. For the next decade demand abroad will grow at about 7.2% a year for the average 15.1 million barrels a day in 1967. This total demand for the free world will exhibit a growth of 12.2% a year and will total 29.2 million barrels daily in 1967.

Supply: There is little doubt that crude oil reserves are more than ample to supply production for the estimated growth in demand over the next ten years. However, these reserves are unevenly distributed relative to the consuming area. The United States now accounts for 56% of world demand, but has only 22% of the reserves. In sharp contrast is the Middle East with 72% of the world's reserves and less than 1% of consumption. In fact, Middle Eastern reserves are so great that all of the world's needs for petroleum could be supplied by this producing area if political stability and adequate facilities were provided.

Within the United States the Chase Manhattan Bank estimates that the domestic producing industry will supply about 9.4% million barrels per day in 1967, up from about 7 million barrels a day now. In addition, there will be a steady flow of natural gas liquids. At that time, the United States will probably be producing near capacity. It is estimated that this growth in production and drilling activity will have reached its peak before this time. In order to satisfy the anticipated demand of 14,000,000 barrels a day a decade from now, imports will have to approximately triple to about 3,000,000 barrels per day.

The Middle East is likely to more than double their production during the next ten years. This is because reserves are large relative to production and output is capable of expansion at a rate much faster and at lower costs than in the United States. Capital's production should go up more than 2% times to 1,300,000 barrels per day. In Venezuela, substantial new reservoirs and productive capacity have been developed in Lake Maracaibo. Venezuela should 14, after 1965, produce 2.5 million barrels per day ten years hence, nearly twice its present 1.24 million barrels daily. Middle Eastern production will continue to expand during the next decade, but capital and production rates approaching 9 million barrels per day by 1967, or more than double the present 4 million daily rate.

Capitol Expenditures: Capital expenditures to supply the world with the estimated demand for petroleum during the next ten years will reach the staggering total of $14 billion. This is nearly twice the expenditures of the past

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In the United States, expenditures will climb from a little over $8 billion to $9.3 billion in 1967 and total about $17 billion for the decade. Outside of the United States, expenditures will more than double from $8 billion to $18.5 billion, and total outlays will reach $26 billion during the period. Expenditures in 1967 in the free world by the entire petroleum industry will be at the rate of $17.5 billion, of which 60% will be for production facilities.

Due to the relatively high cost of finding and developing production in the United States in recent years, as well as the rapid expansion of the search, the industry has been unable to provide all of its capital needs. Over the last five years, funds required by the United States petroleum industry from outside sources, both equity and debt, totaled $4.5 billion. This was equal to 15% of all expenditures. It is probable that over $8 billion was raised, through either equity or debt financing, by the worldwide industry during the past five years.

This dependence on outside funds is likely to continue for the foreseeable future and require that capital markets will have to be made by all segments of the industry. Capital contributions may be relatively stable, and an increase during the decade and would be much higher if the emphasis on exploration and production had not turned to foreign areas. The United States is dependent on the other large demands for funds anticipated throughout the world, it is probable that the oil industry will have to raise its money in relatively "tight" capital markets.

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tendency for the price of raw material, crude oil, to remain constant while demand and prices fluctuate widely. This process creates profits in recessions and impairs the credit standing of the company possibly standing enough to prohibit the raising of capital on sufficiently reasonable terms of finance expansion and modernization.

It therefore appears vital for a company to be fully integrated, refining a large portion of its domestic operations, with gross coordination, refinery runs and controlled marketing outlets approximately equal. The level of operations should exceed 30,000 barrels per day to achieve efficient refining and marketing activities.

Furthermore, these economic forces will undoubtedly bring about merger and sale of many smaller producing and refining companies into larger, more efficient units. Aggressive, intensive competition between these larger integrated companies, many of which will be world-wide in scope, will be commonplace, but destructive price wars in time should occur less frequently. Refining and marketing profits should be stabilized so that adequate returns can be realized, while production remains made in these segments of the industry.

The Growing International Character of the Domestic Oil Industry

One of the most significant changes which has taken place within the oil industry in the last 20 years is the large-scale expansion of domestic producing areas. Prior to World War II there were relatively few United States oil companies operating abroad, and because of the substantial capital requirements necessary to carry on foreign exploration and production such activities were concentrated in the hands of the larger oil firms—such as Gulf Oil, Socony Mobil Oil, Standard Oil of California, Standard Oil (New Jersey) and Texas Company. These companies extended their operations into foreign areas with the support and encouragement of the United States State Department. At the end of the World War II only a few American oil companies were active abroad. The expansion into foreign areas of operation has proceeded at an accelerated pace in recent years with the result that today there are no less than 300 American oil companies, or individuals, actively engaged in exploration and/or production in some 74 foreign countries.

- The extent of investment participation by American oil companies in foreign operations has been estimated by the Chase Manhattan Bank. Based on gross investment in fixed assets at the end of 1957, the total investment in the foreign oil industry representing the entire foreign free world, United States crude oil reserves contributed $8.8 billion, or 34.8%.

* * *

The extent of intensified search for oil in foreign areas over the past two decades, at tremendous increases in foreign reserves, has emerged, as shown by the following table:

It is interesting to note that within the past 20 years there has been a gradual shift of the world's petroleum supply from the United States to the Middle East. At the end of 1938, the United States possessed 59% of the free world's known reserves, of which the Middle East's share was only 17%. By the end of 1957, however, the Middle East's reserves had represented only 13% of the free world's total, while the Eastern Hemisphere at the end position had climbed to 72% of the total. As a result of large expenditures by national and international companies for oil exploration in foreign areas, United States interests have increased their ownership in foreign reserves from 35% at the end of 1938 to 58% at the end of 1957.

- The second principal factor causing American oil companies to go abroad and to increase their rate of growth of petroleum demand in the foreign free world, during the past two years has been the discovery of the productive possibilities in the Middle East. Since these discoveries indicate a rate of growth for the United States at least 5% per year for the next decade or so, with that in the foreign free world growing at a rate averaging about twice the domestic rate.

- Another lure for domestic oil companies to "go international" is the freedom from labor discovery. In the United States, companies have been striving to create a place to work and to hold employment which is secure against labor disputes. The discovery of new oil fields in the Middle East has made available a new oil crop, which is secure and cannot be exploited by labor competition.

- In the United States, states have been holding reserves in order to be able to produce and sell petroleum at a price at which the public is willing to buy it. In the Middle East, countries are willing to sell their reserves at a price which is below the price which the public is willing to pay for it. This is a great advantage to the oil companies, as they can sell their oil at a price which is below the price which the public is willing to pay for it.

- In the United States, the cost of producing oil is very high, while in the Middle East, the cost of producing oil is very low. This is due to the fact that the Middle East has a very low labor cost, and a very low cost of living.

- In the United States, the United States companies have been able to produce oil at a lower cost than the Middle East companies. This is due to the fact that the United States companies have been able to operate in areas with a lower labor cost, and a lower cost of living.

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potential output under strict conservation practices. Furthermore, during the 12 months ended June 30, 1958, there was a 10% increase in the number of producing oil wells.

The present situation in the Canadian petroleum industry is pictured above, to say the least, disquieting. The conclusion, however, is regarded as temporary and the more immediate and longer-term requirement is by no means gloomy. Predictions have been made by major oil companies that the ground lost this year will be more than recovered in 1959. At the same time it was not anticipated that the very rapid rate of growth in exploration and production during the past years could be maintained. It has been apparent for several years that the growth in producing capacity was saturating available domestic markets and, therefore, making the industry increasingly dependent upon the export market.

In many respects the western Canadian petroleum industry grew "the hard way." The geographic isolation of the producing areas from the major industrial markets of Ontario and Quebec is a factor. Linking the West Coast market necessitates traversing the very difficult terrain of the Rocky Mountains. From the first, the problem of marketing Canadian crude oil was a bigger one than the Prairie provinces has involved the logistics of long distance land transportation in direct competition with oil from foreign sources.

The natural gas situation in Canada presents a sharp contrast to the oil picture. The West Coast Transmission Line was completed in 1927 and is now delivering gas to western markets and the United States Pacific Northwest—a large and rapidly expanding gas market. Pipe line, or gas transportation, will be completed late this year to the present year's gas production from natural gas from Alberta as far east as Toronto and Montreal. Applications have been made to government authorities to construct a pipeline source of gas to supply additional gas to California consumers. Another application is pending before the United States and Canadian authorities to construct a pipeline of the Grande Prairie No. 1 Field in northeastern Alberta to supply natural gas to the central states.

Proven recoverable natural gas reserves in Western Canada are new in the billions of cubic feet. It should be noted, however, that the build-up in natural gas reserves has been almost identical to that of a byproduct of the search for oil. There are few who will deny that a great deal more natural gas will be discovered and undoubtedly there will be ample reserves for export to the United States. Even the very conservative Alberta Oil & Gas Conservation Board has reported a deposit discovered in September that will provide 500 million cubic feet of gas per day. 

Furthermore, in a study of the Royal Commission on Energy (Borden Commission) the British American Oil Company Limited estimated ultimate reserves in western Canada recoverable by conventional methods to be in the neighborhood of 300 trillion cubic feet. Other estimations by major oil companies are in reasonable close harmony with this estimate. By contrast, U.S. gas reserves are currently estimated to be 247 trillion cubic feet.

Late in 1957 the Canadian Government announced a Royal Commission to undertake a complete study of the entire Canadian energy field, the objective being a more thorough understanding of Canada's energy resources and their appropriate use. While the Commission's final report will take some years to complete, the urgency of the situation in the gas and oil industries dictate a policy of initial concentration of the efforts of the Commission in the preparation of an interim report of the Canadian Government. It has been indicated that this interim report and its recommendations will be presented before the end of 1958.

The 1959-60 outlook for the Canadian petroleum industry is a continuation of the growth trend that has characterized the past 11 years. It is not anticipated that the gradient of the growth curve will continue as steep as the industry grows in size. The excessive production of crudes in the United States and Canada have been reduced to more manageable proportions. As the 1957-58 business recession in the North America fades into history, the assumption of normal income want in demand for petroleum is to be expected.

One factor which may tend to retard Canadian production expansion is the continuing over-supply of ocean tanker capacity accompanied by competitive tanker rates. While inland demand for Canadian crude is growing steadily, the fact remains that the most attractive target markets are located in areas tributary to Pacific ports which can be served by Canadian crude only via long pipelines, a more expensive and less efficient method of transportation than by ocean tankers carrying Eastern Hemisphere crude oil.

For the longer term, projections by major oil companies indicate an increase in the production for Western Canada of 1½ million barrels daily before the end of 1963. The Gordon Royal Commission on Canada's Prospects for Energy suggests that 5 million barrels daily by 1969. If reviews prove oil reserves are adequate to support the production rates at these rates, the crude discovery rate will have to be increased from an average during the past 10 years of 400 million barrels annually to roughly one billion barrels a year.

Respectfully submitted,

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RENO, Nev.-Leland G. Smith is now with First California Co. at 224 West First Street. Mr. Smith was formerly with Harris, Upham & Co. and Hooker & Fay in San Francisco.

Wholesome Food for Thought

"While I think the intensity of the Soviet system will decline in time, I see little hope for early change. On the other hand, there is the constant danger that we will fall asleep again. 'If we can't do much with Moscow, we can do a lot with ourselves.' The free world must set its house in order and keep it in order, and not just sit around, bickering, postponing and waiting for total peace to break out. Moscow will be more likely to talk seriously if the Western alliance is vital and viable, the residual colonial problems being dealt with (while Soviet imperialism becomes more obvious), and above all the free world making a concerted effort to unite the advanced and retarded areas in common economic enterprises."

Adol Stevenson

"I have seen the Russians close up. They are tough, fearful and going places. But they are also very human. Their hopes and desires are for peace and an apartment. Even Mr. Khrushchev wants to attain the American standard of living! And we still have the supreme advantage of living under the system that people want or they can get it and afford it." —Adlai E. Stevenson, in the New York "Times."

Just what Mr. Stevenson would have us do "with ourselves" we are not certain, but there is much wholesome food for thought in what he says here.

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Economic Recovery Will be Sustained

Despite the enormous growth of the economy in October, which have caused much concern. With automobile production on the rise, these temporary declines should soon be reversed.

If we look at the various sectors of the economy, I think I can show you why the prospects for the economy are good. Looking at the consumer sector, we find that consumer incomes are at an all-time high level, and rising. Furthermore, the total of consumer installment credit outstanding is almost $1 billion less than it was last December. These factors have produced a rising trend in retail sales, a trend which should continue at an accelerated pace in the months ahead. We do not know what the demand for automobiles is going to be, but consumers have more money, less debt, and a brighter outlook than a year ago. If this continues, I think automobile sales will do a real service for the economy.

Residential construction has already had a vigorous revival, and the outlook for the future is good. Although we should not expect a rapid rise, we should expect a continued growth in the coming years. So, the effect of the policy of the government is that the economy will be solidly based, and there appear to be no good reasons for expecting a fall-off in the rate of growth.

Even though I think we are going to enjoy a sustained rise in the level of economic activity, we probably will be a good many months before we again find our exports facing a serious problem. We are likely to see a period of relatively high export levels for many months immediately ahead, but this should not lead us into forgetting that our export situation is likely to be a chronic problem in the future, at least until such time as our dollars can be declared at an end, if such a happy time ever comes.

I have run into a great many people who are beginning to think that we are going to have a period of deflation. This is not a very simple matter, and I think it is not going to be easy to get through this period. The situation is very complex, and with the exception of a hand full of industries, we have no real problems of excess capacity. Though, I think we should be on the alert for the possibility of a period of unemployment, and with the wide fluctuations in production, profits, commodities, stocks, and labor costs in our economy, it is very likely that there will be a period of high cost expansion that lies ahead of us. For this reason, I think we should be very, very careful not to let the prices be too high in the first few months, and then we will have a period of rising labor costs going to force wages.

The reason we are rapidly growing population, ten years from now, will be supported by the growth in population and not by the increase in the number of people we have now. Eighty years from now, we will have about 30 per cent more people, and these people will be substantially more productive, having purchased their power at their command than they are now. We are going to be exporting a lot of this country. For example, it is said that we are going to export something I heard not long ago. I do not now the author, but it does ring this like—"On the plains of hestivity lie the bones of countless millions, who—on the dawn of victory—caused to rest—and restored dying." We have the population, but there is still much to be done.

I am indeed grateful and appreciative of the splendid work of our Board of Governors, our various directors, our Group Chairman, and our staff in Washington for their contribution to whatever progress our Association has made during the past year. It has been a most challenging and stimulating year to me.

Hobbs Named Fin. V-P
Of M. A. Hanna Co.

The election of William M. Hobbs as executive vice-president of The M. A. Hanna Company, Cleveland, Ohio, has been announced by Joseph H. Thompson, president of the company. Mr. Hobbs, who has been in the firm's service since 1920, will assume his new position on February 1, 1931.

Since January 1, 1921, he has been a partner in charge of the firm's reorganizing activities and research for the Company.

William A. Hobbs, a native of New York City, is a graduate of Clark, Dodge, & Co., New York investment firm. He was with the National City Bank of Cleveland in 1914 and later became a Vice-President in the trust department. From 1914 to 1917 he was associated with the Bankers Trust Company of New York.

Now Provident Investors

BROOKLYN, N. Y.—The investment banking firm of Allan L. Wynn, 66 Court Street, is now being conducted under the firm name of Provident Investors Corporation of N. Y. The firm also maintains an office at 2174 Clarendon Road.
Space Strategy and Economic Growth

heard about all of these, there isn't a week in which our newspapers and magazines do not mention new information about the effects of weightlessness, or accelerate or deaccelerate or stimulate deprivation on the human being.

It is easy to see why research is expensive. Technical development is not only expensive in capital. It is time consuming. We no longer kid ourselves that the Russians are not engaged in all of this, but we probably have less time to spend on our care to admit. There has been a long period of quiet since the last apogee. Possibly, the long delay in putting up another satellite means that the Russians have the reentry problem licked and intend to send a man up in their next one.

Strategy of Technological Integration

This means that time is short. However, this is not a move—a move for competition is not by concentrating all our efforts on putting a man into space that we will win the long space race. We must show that we will enter space more rapidly as our whole economy benefits from the technological advances in our space programs. We are beginning to see that we can utilize benefits from missiles in civilian commerce.

Three main advances in the missile industry have created new materials, and a new wave of production. Transferred to civilian industry, these developments can contribute to the more rapid development of the whole economy of which I have already spoken. For example, the recent issue of Nov. 28 told about a good example of this sort of thing: a plastic arc welding machine developed by Linde Company for fabricating ultra-hard materials and castings by mass production methods. The torch, an outgrowth of plasma technology, develops heads to 30,000 degrees and can work within tolerances of two hundredths of an inch. Another application from the missile field, which shows many possibilities is a repellent meter that has no packings or bearings to be replaced. Its design is suited for measuring liquefied gases and its high temperature and wide industrial usefulness. It may even lead to improvements in marine devices for greater maneuvering distance and velocity.

New plants are evolving from missile research. Let me list a few more of these contributions from missiles to industry.

Ground-to-air missiles that ride

a beam to their targets must measure the distance to the target plane with an accuracy of a few feet. This is particularly true now, being applied to supersonic bombers. Missiles are built after all to act in the air, and in the analogous application to the sea, In a similar fashion, the sonar system, which was developed by the Navy, is being used industrially to measure the composition of fluids in complex processes and by various companies for petroleum refining and distilling.

Another promising application of infra-red missile technology was discussed in analyzing metallic material and determining its composition and quality. The entire infra-red field should have future possibilities for new and application through our miss. Another very promising outcome from missile development is the use of remote photography in space programs. These infrared cameras can transform analogue signals—such as pressure measurements—into digital form.

Usefulness of Satellites

About the usefulness of satellites we have heard much talk. They will play a crucial part in meteorological studies, in reconnaissance, and play a basic role in communications. A communications satellite will be able to send television signals to worldwide TV more reliably and less expensively than our present system. We can go on length about the benefits our space programs will bring to life on earth.

Already the contributions have begun. You may have read that an ether from rocket fuel was developed as a medicine for severely depressed individuals. This significant thing about scientific research and technology. Looking back at the means of technological development, we see that the concentration of new industry, or new industry problems in giant technological strides. Witness the important role played in World War I and the development of new industry after World War II. Progress in the military field is closely related to progress in the computer industry. We can give our defense—"science and technology." From awareness of the manifold application of anti-aerial missiles and space stations, these in turn will stimulate growth in other directions.

Our strategy requires utilizing our research resources more efficiently and importantly that we integrate our science and technology characteristic of our economy and sometimes out of an understandable security policy, tend to compartment our work. One cause of this problem is the great need for more adequate communication in the scientific and engineering effort. One facet of this problem is the great need for more adequate communication in the scientific and engineering effort. The Russians have integrated their science, beginning with their children's education. This total technological work toward centrally determined goals has its advantages. They exist scien-

tific information from all over the world and make it available to their people. But few of us in the free world realize to what mobilization from on high, the challenge faced us is to achieve these results by cooperative action. We can, for example, work out means to translate defense-developed technology more effectively into civilian uses.

Integrated Economic Strategy

I suggest that integration is a key to our concept of effort. It has relevance, too, in the struggle for the international marketplace.

Your opponent in the Kremlin, Deputy Premier Mikoyan, works with an integrated economic, however haltingly it may operate. How many invest¬

ment bankers are there in your Association? And how many men in Russia direct the economic plan of their country's capital? The competition is not easy under these conditions. We believe that our strategy is in our very lack of total integration, in the freedom of many men to make their own decisions. How do we compete in this theater, then?

Conditions are not too differ¬

tent in the Russian space and military programs. They are solving some of these prob¬

lem and, therefore, integration can bring victory in the marketplace.

It is your turn, Mr. Mayor. Assistant Secretary Douglas Dillon of Washington is going this way all by himself, but he cannot do it alone. It will take creative talents to keep our freedom of action—none of us wants to submit to a totalitarian age.

It seems to me that we can achieve a successful economic inte¬

gration through cooperation. Several examples come to mind. British Plan 1959 was a move in this direction, that succeeded in its objective. The Common Euro¬

pean Market is another develop¬

ment in this direction. For a matter, 170 years ago, Ger¬

man was founded because men realized that they could survive better through a united effort than any separate states could do alone.

The Long View

We can no longer be satisfied with taking day-to-day decisions and leaving the long-run outcome to others. We must take time to lift our eyes from the papers on our desk and look ahead to see where we are going and how we are going to get there. We face an opponent in two theaters of war. He can focus his efforts to move most effectively in both. We must each of us see that our daily decisions lead to the same kind of focus. It is possible to do this because, as I have tried to indicate, they are interrelated campaigns. We will not succeed if we follow the same, old, tradi¬

tional lines of thought. We can win if we know what we believe in, what kind of a world we want to preserve, what are the basic values that must be preserved, and are not act creatively, determinedly to keep them.

Considering the integrated action in both our theaters, I can do no better than to remind you of the remark attributed to Ben Franklin: "We must indeed all hang together, or most assuredly we shall all hang sepa¬

ately."

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Continued from page 37
Report of IBA Municipal Securities Committee

public construction during coming months.

(c) Federal Aid for School Construction Defended

Bill proposing Federal financial assistance in the construction of public elementary and secondary schools, through Federal loans, grants and guaranty of bonds, did not pass.

Statements were submitted by the IBA opposing Federal aid for the construction of public elementary and secondary schools when hearings were held by the Subcommittee on General Education of the House Committee on Education and Labor. The Subcommittee on Education of the Senate Committee on Labor and Public Welfare. In general, the IBA pointed out:

(i) The number of additional classrooms needed in public elementary and secondary schools has been decreasing steadily during the past five years. From an estimated 312,000 additional classrooms needed in 1952, the need decreased to an estimated 140,400 additional classrooms needed in 1957 (63,000 to accommodate excess enrollment over the 1957-1958 period estimated to be 13.5% less than during the 1955-1956 period).

(ii) The rate of construction in public school enrollments is decreasing because the school age population will not increase as rapidly as it has been in recent years. This trend in enrollment in elementary and secondary schools continued in the 1958-1959 period estimated to be 13.5% less than during the 1955-1956 period.

(iii) Record classroom construction programs are continuing with sales of bonds by state and local educational agencies to finance public school education and financing by Federal loans, grants and guaranty of bonds to private schools. In 1957 and sales of such bonds during the first 10 months of 1958 aggregating over $2,580,529,000, in 2,442 issues.

The National Defense Education Act of 1958 provides Federal aid to education, principally: (1) loans to colleges for construction of new buildings and other structures in which the provision with that 50% of a loan may be canceled if the proceeds are spent as a full-time teacher in a public elementary or secondary school (16% of the loan for the complete academic year of service); (2) $300,000,000 for grants to state educational agencies for the acquisition of equipment to provide education in science, mathematics and modern foreign languages; (3) funds for adverse education fellowships; (4) $80,000,000 for establishment of programs for guidance, counseling, and identifying able students; and (5) $10,000,000 for research and experimentation in existing or new Federal facilities, including television, radio, motion pictures and related media for education purposes.

(d) Area Redevelopment Act

Vetted

S. 923 proposed the "Area Redevelopment Act" to "alleviate conditions of substantial and persistent unemployment and underemployment in certain economically depressed areas." It would authorize (a) the Commissioner to designate "industrial redevelopment areas" and "rural redevelopment areas" in which there has been "persistent unemployment." (b) $100,000,000 of Federal loans and grants and $100,000,000 of Federal loans in rural redevelopment areas to aid in financing any project for the development of lands or facilities for industries or for other uses provided, among other conditions that no such assistance should not exceed the net cost to the Federal Government of the project to the applicant. (c) $75,000,000 of Federal loans and grants to states, political subdivisions, or public organizations or associations representing any reclamation areas for the development or improvement of public facilities within a redevelopement area.

This bill passed the Senate and was reported favorably by the Senate Committee on Banking and Credit, but it did not pass the House.

(e) Municipal Investment Company

The proposal, to permit regulated investment companies which are the bulk of their assets in tax-exempt bonds to pass tax-exempt securities to their shareholders in "exempt interest dividends," passed the Senate as Amendment 2 to the Federal Housing Amendments Act; but the provisions were eliminated in conference and it was not adopted.

(f) Federal College Housing Loans

S. 4035 would have increased authorized funds for Federal college housing loans by $400,000,000 (from $225,000,000 to $1,225,000,000), and would have authorized a new program of Federal loans for college classroom facilities with an initial authorization of $250,000,000. This bill passed the Senate and was reported favorably by the House Committee on Banking, but it did not pass the House.

Bank Underwriting of Revenue Bonds

No action was taken on the bills pending in Congress to authorize underwriting revenue bonds.

III Model Revenue Bond Bill

A Model Revenue Bond Law is now available for states desiring to adopt such a bill. This model law was prepared under the sponsorship of the National Municipal League and is available from the League. The model law was adopted by the Finance Officers of California and New York after subjecting preliminary discussions by Federal officials, investment bankers and other practitioners.

IV Metropolitan Area Problems

Recognition of the vital importance of planning and organization for the performance of area-wide functions led the Senate to provide a new number of metropolitan areas. This bill has been under discussion during recent years. Many of these studies initially included metropolitan area problems, but other studies are directed toward problems affecting such functions as transportation, water supply and pollution, or sewage disposal.

The Subcommittee on Metropolitan Area Problems, under the chairmanship of John S. Linen (The Chase Manhattan Bank, New York) is available as a separate report. The Subcommittee's report of this Subcommittee reviewed developments in a few of the principal metropolitan areas where steps had been taken to provide an area-wide approach to one or more metropolitan area problems. The Subcommittee this year reviews recent developments in some of those and new developments in some other metropolitan areas. The Chairman of the Subcommittee recently participated in the Regional Conference of Metropolitan Growth in Washington, D.C., on May 25, 26, sponsored by the Commerce Department of the United States.

Liaison With American Bridge, Tunnel and Turnpike Association

A Subcommittee for Liaison with American Bridge, Tunnel and Turnpike Association, under the Chairmanship of Walter Steel (Drexel & Co., New York), has continued to cooperate with that Association in planning the program at its last Convention. A member of the Subcommittee participated in a panel discussion of various problems in connection with toll facilities and also arranged for the appearance on the program of a representative of one of the major institutional holders of revenue bonds.

VI Industrial Revenue Bonds

Although the Committee has repeatedly directed attention to resolution AIA, the Municipal Finance Officers Association and the Municipal League Section of the Bar Association, all of which direct attention to the public credit to finance the construction of facilities for use by private companies. This bill has been requested again to direct attention to those resolutions.

There has been relatively little industrial revenue bond financing, but occasional proposals for such financing make it desirable to emphasize the dangers in such financing.
Dealers in Municipal Bonds

THE PHILADELPHIA NATIONAL BANK

Continued from page 49

Report of IBA Municipal Securities Committee

Donald S. MaeFadden
Eastman Dillon, Union
Securities & Co., New York
Harold M. Martin
The Pacific National Bank
- Seattle, Seattle

Cushman McClellan
R. W. Freespriich & Co.,
New York

Andrew S. Mills
Newhard, Cook & Co., St. Louis

Sidney J. Mehr, Jr.
Thomson, Mehr & Farish,
Montgomery

Richard Morey
A. G. Edwards & Sons, St. Louis

William S. Morrison, Jr.
Harris Trust and Savings Bank,
Chicago

Dennis E. Murphy
The Ohio Company, Columbus

William F. Parvin
Austin, Hart & Parvin,
San Antonio

Donald C. Patterson
Chemical Commercial Exchange Bank, New York

Delmont K. Pfeffer
First National City Bank of
New York, New York

Marson E. Pratt
Estabrook & Co., Boston

Milo G. Osborn
Paine, Webber, Jackson &
Curtis, Detroit

Richard N. Rand
Rand & Co., New York

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Alex. Brown & Sons, Baltimore

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Essen, Whipple & Co., Chicago

Walter H. Steel
Drexel & Co., New York

Franklin Stockbridge
Security-First National Bank,
New York

Fred D. Stone, Jr.
The Marine Trust Company of
Western New York, New York

Thomas E. Summers
Paine, Clark & Co., Cleveland

Eugene D. Vizard
Commercial National Bank of
Texas, Dallas

William J. Wallace
Mellon National Bank & Trust
Company, Pittsburgh

George R. Wendt
The First National Bank of

Paul E. Youmans
Boston, Sullivan & Company,

Vicior H. Zahner
Zahner & Company, Kansas City

APPENDIX A
Report of the Subcommittee on Printing Legal Opinions on Bonds follows:
The large volume of state and
municipal financing during recent
years has prompted a review of
various steps which would facili-
tate the mechanical de-
tails of handling
municipal-bond
transactions by
dealers and
investors. Under present business practices it is
practically impossible for a bond counsel (whose
opinions are recognized by both dealers and
investors as marketable) to prepare
in convenient form the issuance of
municipal bonds, to confirm the legal
validity of the bonds and their
enforceability by purchasers, and a copy
of the legal opinion is delivered to each purchaser of
the bonds. It is customary to deliver a manually executed copy of the legal opinion with the original
delivery of the bonds to initial purchasers, and a copy to bond counsel, and
investors. The use of certified copies of legal opinions facilitates the handling of
municipal bonds by materially reducing the work and expense of obtaining and storing copies of legal opinions.

We recommend that, whenever possible and practical, a copy of the complete legal opinion, with the name of the attorney, should be printed in a legible form on blank spaces on the face of the bond. This would be desirable for two reasons: (a) it would facilitate the handling of municipal bonds, and (b) it would make it possible to readily identify the legal opinion with the bond by including with the copy of the legal opinion on the back of the bond a certification signed (either facsimile or manual signature) by the paying agent or an official of the issuer to the effect that the copy is a true and correct copy of the original legal opinion.

We recommend that in the in-
itial sale of municipal bonds by the issuing body there should continue to be delivered to initial purchasers, at the time of initial delivery, a manually executed copy or copies of a final unqualified legal opinion.

We also recommend that in subsequent transactions in which bonds good delivery may be made, the same as a copy of the complete legal opinion printed legibly on the back of the bond, unless the purchaser specifically requests a certificated or photo-offset copy of the legal opinion, or (b) a certified or photo-offset copy of the legal opinion.

The printing of such copies of legal opinion upon the reverse side of the bonds, with the name of the attorney, should be in type of sufficient size to be legible.

While recommending that the practice of printing legal opinions in this manner should be adopted so widely as to become a rule of practice, we recognize that in some cases the length of the legal opinion, both as to content and type, may necessitate the use of certain revenue bonds which are held in trust for registration or other legal requirements might make it desirable to provide a type of bond which does not have a legal opinion on it.

Also, in some cases where there is more than one legal opinion on a bond, the inclusion of the opinions of two or more bond attorneys in the same presentation of only one opinion on the bond may be desirable.

In considering various questions which have been raised from time to time concerning the practice of printing copies of legal opinion on bonds, the Subcommittee is of the opinion that the same procedure in the practice of printing copies of legal opinion of bonds on some bond issues and the marketability of bonds which do not have legal opinions printed upon them, because bonds which do not have copies of legal opinions printed upon them would be desirable to subsequent purchasers. A certified or photo-offset copy as is present practice; that is, a copy printed from an original such as the copy of the opinion would appear on the back of the bond when they were delivered by the issuer to the initial purchaser, and that there is no more possibility of forgery or other fraudulent prac-
tice in the issuance of bonds where copies of opinions appear on the back than presently obtains.

We feel that suggestions to print excerpts of the legal opin-
ion, or a statement that a legal opinion is to be found in an indicated depository, would not be acceptable to a large section of the industry.

We emphasize that it is essential that the copies of legal opinions printed on bonds should be complete copies, and that abbreviations or deletions of material therefrom would not be acceptable to the industry.

We also emphasize that the adoption of the practice of print-
ing a copy of legal opinions on bonds should not preclude any practice of requesting a copy at the time of purchase, as a matter of right when municipal bonds are delivered to them, that the bonds be accompanied by a certified copy or a photostat or a certified photograph of the legal opinion, if the purchaser prefers such physical copies.

During the development of this report considerable interest in the matter has been expressed by several organizations and associations in closely allied fields. The tenor of these inquiries indicates general support of the conclusions of the Subcommittee.

We recommend that the proposal be offered in accordance with the foregoing conclusions, to the associations, and that a proposed resolution in accordance with the foregoing conclusions is attached to this report.

Respectfully submitted,
SUBCOMMITTEE ON PRINTING LEGAL OPINIONS ON BONDS

Francis R. Schaneck, Jr., Chairman
Chicago
W. Neal Fulkerson
Bankers Trust Company,
New York

Cushman McGee
R. W. Freespriich & Co.,
New York

Richard Morey
A. G. Edwards & Sons, St. Louis

William B. Pratt
Estabrook & Co., Boston

Franklin Stockbridge, Security-First National Bank of
Los Angeles

Text of resolution regarding the printing of Legal Opinions on state and municipal bonds recommended by the Municipal Securities Committee of the Investment Bankers Associa-
tion of America, November, 1938.

WHEREAS, it is proper and commonly accepted practice in the initial sale of state and municipal bonds by the issuing body
to deliver to the initial purchaser, at the time of delivery of and payment for the same, the original or a facsimile of a properly executed copy or copies of a final, unqualified legal opinion in favor of such bond or bonds;

WHEREAS, in subsequent transactions in such bonds it is desirable to deliver to each purchaser a copy of the legal opinion without the necessity of delivering a separate document in connection with such transactions, it is, therefore, our desire that a recognized bond attorney whose opinions are widely and generally accepted by purchasers of such bonds,

This is the case where the opinion of bond counsel is desired for subsequent transactions. The opinion is provided for each bond issue, and the bondholder can rely on it for future transactions.

WHEREAS, the present practice of delivering a separate document for each bond transaction is cumbersome and time-consuming, and the original bond counsel opinion is not always available, it is desirable to have a copy of the legal opinion that is easily accessible.

NOW, THEREFORE, BE IT RESOLVED:

(1) That whenever possible and practical, a copy of the final legal opinion, with the name of the attorney, be securely printed on the back of the municipal bond and the copy should be certified by the attorney with the statement that it is a true copy of the original.

(2) In the initial sale of state and municipal bonds by the issuing body there should continue to be on the back of any state or municipal bond the date of delivery and payment of the bond, including by the copy of the legal opinion served on the bond counsel. A true copy of the original opinion should be included.

(3) That the initial sale of state and municipal bonds by the issuing body there should be the delivery of a copy of the final legal opinion with the name of the attorney printed on the back of the bond, unless the purchaser requests a facsimile of the original opinion in a printed format.

APPENDIX B

State Legislation

This appendix contains summaries of some State legislation adopted in 1958 which is belived to be of interest to bond counsel and the municipal securities business.

CALIFORNIA

Assembly Bill 59 authorized the sale of $200,000,000 of bonds for the State School Building Aid Program (State School Building Aid Bond Law of 1958), and this authorization was approved at the election on Nov. 4.

Assembly Bill 93 authorized the sale of $200,000,000 of bonds for the State School Building Aid Program (State School Building Aid Bond Law of 1958), and this authorization was approved at the election on Nov. 4.

Assembly Bill 104 authorized the financing of hospitals under the Hospital District Act, by lease-purchase methods, funds for the issuance of bonds to be outside of the tax limit. Certain restrictions in the Bill are not covered by the applicability of the Act to certain hospital districts.

Assembly Bill 116 authorized the sale of $50,000,000 of San Francisco Harbor Bonds, obligations of the City of San Francisco, and also authorized the sale of $50,000,000 of bonds for the development of local small harbor facilities (San Francisco Harbor Development Bond Law of 1958), and this authorization was approved at the election on Nov. 4.

Senate Bill 7 authorized the sale of $200,000,000 of bonds for the Veterans' Farm and Home Program, and this authorization was approved at the election on Nov. 4.

An amendment to the Constitution of California, Proposition 17 on the 1954 November ballot, passed the sale of $15,000,000 of bonds for public schools to cover certain bond issues. The California Constitution now includes a provision that authorizes the sale of bonds for public schools, subject to certain conditions.

A. California, State, and Municipal Bond Law of 1958, and this authorization was approved at the election on Nov. 4.

New Jersey

Chapter 17 of the Pamplet Laws of 1958 of New Jersey, effective Dec. 19, 1958, provides for the issuance of bonds for the purpose of providing school districts with the necessary funds to make improvements in the buildings and equipment of schools. The bond issue is authorized by the legislature and is subject to certain conditions.

Chapter 127 of the Pamplet Laws of 1958 of New Jersey, effective Dec. 19, 1958, provides for the financing of the State School Building Aid Act to provide for: (a) a copy of the final legal opinion, with the name of the attorney, printed on the back of the bonds, unless the purchaser requests a facsimile of a final unqualified legal opinion in a printed format.

This is the case where the opinion of bond counsel is desired for subsequent transactions. The opinion is provided for each bond issue, and the bondholder can rely on it for future transactions.

APPENDIX C

Court Decisions

This appendix contains summaries of some recent court decisions which are believed to be of interest to persons engaging in the municipal securities business.

E. S. SUPREME COURT

In March, the Supreme Court of the United States sustained the conviction of William J. Murray for the purpose of tax personal property and real property owned by the Federal Government but used by private corporations in the course of their business.

In City of Detroit v. The Murray Corporation, the Court sustained the levy of a personal property tax by the City of Detroit and Wayne County on all the personal property and material, and work in process acquired by the Murray Corporation in performing a government contract for the Federal Government. The Court agreed that the tax was imposed on a "private" interest in property, and was not an "inrem" tax upon a "public" interest in property. The Court ruled that the tax was properly assessed and collected.

KENTUCKY

The Kentucky Supreme Court held in 1958 (K.S. 58), that the Kentucky Constitution does not authorize the issuance of bonds by small municipalities to relieve financial difficulties. The Court held that the small municipalities did not have the power to issue bonds to relieve financial difficulties, and that the issuance of bonds by small municipalities is not authorized by the Kentucky Constitution.

The Kentucky Supreme Court in 1958 (K.S. 58), held that the issuance of bonds by small municipalities to relieve financial difficulties is not authorized by the Kentucky Constitution. The Court held that the small municipalities did not have the power to issue bonds to relieve financial difficulties, and that the issuance of bonds by small municipalities is not authorized by the Kentucky Constitution.

Appendix continued on page 52
Report of 18A Municipal Securities Committee

authorizing the issuance of tax free revenue bonds for public projects, and the authorization of other funds such as projects" (emphasis supplied) (5) The City of Henderson adopted an ordinance authorizing the acquisition of an existing industrial plant and the issuance of bonds to finance the purchase. The ordinance provided for the pledge of the surplus revenue from the City's gas enterprise fund to the payment of the bonds if it should be needed. A suit filed by the City sought a declaratory judgment to validate the plan and the bonds. The Trial Court concluded that the factual conditions and the contemplated transactions were so indefinite and economically sound that the Court was not authorized to hold the venture as being for a public purpose, that the proposed plan was not a "public project," and that the purview of Chapter 58 under which the procedure was taken, and that the City had no power to pledge the surplus revenue from its gas distribution enterprise to the payment of such bonds. The City appealed.

The Court of Appeals of Kentucky on July 11, 1958, affirmed the holding that it did not appear that an actual controversy existed and that the petitioners had not met the requirements of the hypothecation statute. The Court then affirmed the decision of the Trial Court that the City, for a period of years, was not entitled to pledge the capital improvements, works and buildings of the Corporation to secure the payment of bonds. The Court pointed out that the use of such revenue for the payment of the bonds would be sufficient to retire the principal and interest of the bonds. It was not necessary that any industry would sub-lease the property from the City and that the proceeds of the bond issue would be used for the payment of the bonds and thereby reduce unemployment in the City. The plan set up in the several instruments proposed to be executed would obligate the City of Corbin and pay annual rentals as the option may from time to time be automatically renewed.

The City of Corbin v. J. D. Johnson, the Court of Appeals of Kentucky on July 11, 1958, noted that it did not appear that an actual controversy existed and that the petitioners had not met the requirements of the hypothecation statute. The Court then affirmed the decision of the Trial Court that the City, for a period of years, was not entitled to pledge the capital improvements, works and buildings of the Corporation to secure the payment of bonds. The Court pointed out that the use of such revenue for the payment of the bonds would be sufficient to retire the principal and interest of the bonds. It was not necessary that any industry would sub-lease the property from the City and that the proceeds of the bond issue would be used for the payment of the bonds and thereby reduce unemployment in the City. The plan set up in the several instruments proposed to be executed would obligate the City of Corbin and pay annual rentals as the option may from time to time be automatically renewed.

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The Report of Liaison Sub-Committee

The general purpose of this Sub-committee is to work with other organizations on problems of mutual interest in municipal finance, principally the Municipal Securities Officers Association, the Municipal Law Section of the American Bar Association, and the Municipal Finance Officers Association, and the Municipal Committee of the New York Municipal Bond Committee.

On Feb. 12 a joint meeting of the five liaison committees was held in New York City attended by five representatives of the IBA Liaison Sub-committee, five representatives of the M.F.O.A. eight representatives of the Municipal Law Section of the American Bar Association, four representatives of the Municipal Finance Committee of the New York Municipal Bond Committee, and four members of this Subcommittee.

At the meeting, a report was presented on the function of the Sub-committee and a panel discussion on the disposal of municipal bonds and the protection of credit agencies.

The report discussed the importance of the Sub-committee in the protection of credit agencies and the need for continued cooperation between the Sub-committee and the various credit agencies.

The panel discussion included representatives from: Walter W. Craigie, Chairman of the Municipal Finance Officers Association; C. W. Craigie, Co-Chairman of the Municipal Law Section of the American Bar Association; John S. Linnen, Chairman of the Municipal Committee of the New York Municipal Bond Committee; C. W. Craigie, Chairman of the Municipal Finance Officers Association; and C. W. Craigie, Co-Chairman of the Municipal Law Section of the American Bar Association.

The report and discussion concluded with a resolution that the Sub-committee should continue its work to protect the interests of credit agencies and to promote cooperation between the Sub-committee and other credit agencies.
In the bulletin entitled "Marketing Municipal Bonds," published by the Municipal Finance Officers Association in 1946, the writer on "Advertising and Prospectus" includes in the list of information recommended for inclusion in the advertisement the following:

"20. A statement that there is no litigation, pending or threatened, relating to the sale or purchase of these bonds, the corporate powers or voting or debenture powers of the issuer, or the rights of the present officials to hold their respective offices."

In 1950 the Municipal Securities Committee of the Investment Bankers Association recommended that municipal bond attorneys and municipal finance officers include in notices of sale language providing that the securities are offered for sale subject to the unqualified approving legal opinion of a specified bond counsel (the cost of which will be paid by the issuer, or, if specified by the successful bidder if that be the intention of the sale requirement) and that said bond counsel will be furnished with said opinion and the actual closing documents to include a no-liability certificate.

In May, 1956, the Board of Governors of the Municipal Forum of New York adopted a resolution recommending that, in order to effect the right of a purchaser to receipt of a no-liability certificate, each notice of sale or purchase contract with the issuer shall include a provision that there will be furnished without cost to the purchaser the approving opinion of a specified bond attorney and the usual closing certificates, dated as of the date of delivery of and payment for the bonds, including a no-liability certificate.

In November, 1956, the Municipal Securities Committee of the Investment Bankers Association recommended that the obligation of the underwriter to the bond counsel who issues a no-liability certificate include the bond counsel as of the notice of sale or the bid form an express provision for indemnification of the bond counsel for any loss or expense which might be incurred for the bond counsel in connection with the issuance of such a no-liability certificate.

In July, 1957, the Municipal Law Section of the American Bar Association postulated the following requirements for a bond counsel to be entitled to the issuance of a no-liability certificate, including a recommendation that the bond attorney at the time of the sale should obtain from the issuer and the corporation underwriting the purchase of the bond a no-liability certificate.

The advantages of the proposed procedure were pointed out in the report as follows:

"The practice of issuing a no-liability certificate is simple, simple facts. The amount of work involved is minimal. The bond counsel is assured of being indemnified against any loss or expense which might be incurred in connection with the issuance of such a no-liability certificate. Thus, the bond counsel is assured of obtaining the protection of a no-liability certificate for his services.

"The advantages of the proposed procedure are of the utmost importance to the issuer, the purchasers of the bonds, and the bond counsel. The issuer is assured of being indemnified against any loss or expense which might be incurred in connection with the issuance of such a no-liability certificate. The purchaser is assured of the protection of a no-liability certificate for his services. The bond counsel is assured of obtaining the protection of a no-liability certificate for his services. The bond counsel is also assured of obtaining the protection of a no-liability certificate for his services.

"The advantages of the proposed procedure are of the utmost importance to the issuer, the purchasers of the bonds, and the bond counsel. The issuer is assured of being indemnified against any loss or expense which might be incurred in connection with the issuance of such a no-liability certificate. The purchaser is assured of the protection of a no-liability certificate for his services. The bond counsel is assured of obtaining the protection of a no-liability certificate for his services.

Appendix I

MODEL FORM OF BILL

To Provide for Final Determination of a no-liability Certificate

DEALERS AND UNDERWRITERS

Obligations of the COMMONWEALTH OF PENNSYLVANIA and its political subdivisions: Corporation Bonds and Stocks, Municipal Bonds, Authority Bonds

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Obligations of the COMMONWEALTH OF PENNSYLVANIA and its political subdivisions: Corporation Bonds and Stocks, Municipal Bonds, Authority Bonds

1518 Locust St., Philadelphia 2, Pa.

APPENDIX I

MODEL FORM OF BILL

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the books, papers or records of the issuer shall, on demand of said attorney or attorney, exhibit for examination, by said attorney or attorney, copies of such books, papers or records and shall, without cost, furnish said attorney or attorney with such copies of said books, papers or records as are necessary to permit the proper preparation of the petition or petition, and shall, without cost, furnish the same and shall render a final decree therein with the least possible delay, and shall find the facts specially and shall state the issues in accordance with the judge's conclusions of law therein.

SECTION 7. Any party to the cause or defendant by service of defense, answer or other pleading or motion, or the party or parties to the cause or defendant, may appeal therefrom to the Supreme Court within twenty (20) days after the entry thereof, and in the same manner as the parties to the original proceeding may appeal to the Supreme Court.

Such appeal may be made by filing and serving a copy of the petition, as in the original proceeding, and the Supreme Court shall, in all such cases, make and issue a certified copy of the judgment or decree appealed from, and said copy shall be served upon the party to the cause or defendant appealing, and such party or the parties to the cause or defendant shall also serve and file the statement of facts and the statement of the evidence as in the original proceeding.

Such appeal shall be heard in the Supreme Court, and the Supreme Court shall have jurisdiction of the same as if such appeal were filed in the Supreme Court.

SECTION 8. If any petition or petition is filed or served or if any person or persons is served with any copies of such petition or petition, and such person or persons shall not, within ten (10) days after the date of such service, file in the Supreme Court an answer or other pleading or motion or other pleading or motion, or the party or parties to the cause or defendant, may appeal therefrom to the Supreme Court within twenty (20) days after the entry thereof, and in the same manner as the parties to the original proceeding may appeal to the Supreme Court.

Such appeal may be made by filing and serving a copy of the petition, as in the original proceeding, and the Supreme Court shall, in all such cases, make and issue a certified copy of the judgment or decree appealed from, and said copy shall be served upon the party to the cause or defendant appealing, and such party or the parties to the cause or defendant shall also serve and file the statement of facts and the statement of the evidence as in the original proceeding.

Such appeal shall be heard in the Supreme Court, and the Supreme Court shall have jurisdiction of the same as if such appeal were filed in the Supreme Court.

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Continued on page 56
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Report of IBA Industrial Securities Committee

Investment Policies and Practices of Financial Institutions

In recent years, the importance of institutional investing has become increasingly noticeable in the supply of funds for the needs of corporations. During the five-year period 1953-1957, institutional investors, including insurance companies, mutual savings banks, and non-insured corporate pensions, purchased on balance a total of $7.9 billion of stocks. This compares with total operations on the security issue (excluding investment company issues) of $11.5 billion.

Thus, these institutions accounted for over two-thirds of the net increase in outstanding shares over the period. This is not meant to imply that institutions in any important way directly absorb new stock issues. As will be discussed later, the bulk of institutional buying is of existing issues in secondary markets. For that reason, these figures suggest that there might be considerable difficulty someday in our ability to provide adequate funds for many of these new equity issues in which institutions have no current interest.

Municipal and Corporate Securities

There is the comforting assurance in the event that a selection is made this error was committed by other fiduciary managers that they were equally misguided. The results are not pure, the effects of adherence to this prudent policy on the supply of risk capital. These institutions tend to concentrate their common stock investments upon a relatively few, highly selective and well-seasoned names largely purchased in secondary markets. These are the implicit liabilities of the largest and best-established corporations in the nation.

The Life Insurance Association of America, in a special study covering the period of about three years, from January 1953 to September 1956, analyzed the common stock purchases of 38 life insurance companies owning about 25% of the common stock holdings in all life insurance portfolios. This showed that these net purchases amounted to $100 million in the period and that more than 50% of this amount was invested in a relatively small number of listed or investment-type over-the-counter issues. Not more than 7%, or $12 million, represented new common stocks; and that all the amount was accounted for by purchases on subscription rights.

The published portfolio of insurance companies and their various factors for selected funds which, in keeping with their stated objects, do buy most amounts of secondary or improved issues, the more than 50% of assets held by the industry is almost wholly invested in the common stock portfolio. At the end of June, 1958, the "fifty" funds of the investment company industry—the fifty common stocks which show the highest value of investment company portfolio—represented about one-fourth of the total assets of all investment companies.

Many very few pension funds publicize their holdings, it is impossible for us to have a policy which, if anything, is more selective than the investment companies. On Sept. 30, 1958, the portfolio of the 50 funds, holdings of pension, profit-sharing plans, and trusteed funds in New York State banks represented 60% of the market value of all Common stock held.

Continued from page 26

Even though the variable annuity to some extent may grow to be a major source of funds for the trusteed companies, and other institutional investment companies, banks, and other institutions totaled $2.1 billion. Since 1957, the rate of purchases by institutions, particularly pension funds and trusteed funds, has been stepped up sharply. It seems reasonable to assume that the next five classes of institutions may now be on the order of $1.5 to $3.5 billion annually.

It is reported in the statement of Carroll M. Shanks, President of the Prudential Insurance Company of America before the New Jersey Legislative Committee last May that at least $2.5 billion per annum of equity purchases would be purchased over the next 20 years. If the life insurance industry were to exceed the go-ahead to enter the variable annuity business, it is in our opinion, for the purposes of this report, that the desire on the part of the insurance industry will probably be accomplished.

This would result in an increment in demand for equities of over 80%, without consideration of any increase in demand from present institutional sources, and also would have a direct impact upon the creation of an additional supply of available stocks.

We believe that by far the greater part of equity buying by these less than 100 stocks listed on the New York Stock Exchange, we are at a loss to estimate what may be the eventual effect of an

Continued on page 58
The Role of the Investment Banker

The typical commercial-sized corporation does have access to the equity capital market but to enter it successfully the corporation must compete with the companies in its industry that have established an investment standing. One of the secrets of the competence of the investment banker is to offer a higher dividend return. The dilemma is obvious: if the method is attractive to the investor, it must pay out a smaller proportion of earnings; but the larger the amount of new capital it must raise. If the corporation is to find a path through this quagmire, it will need the faithful service of an investment banker—someone who understands the financial requirements and the requirements of management of a commercial business market that is still available to him. Such guidance will be found in the bank, and in the professional services of the investment banker, who is so widely recognized as is particularly important to the investment banker who has neither the experience nor the knowledge of the institutionalization of the financial instruments of investment. He has become aware of this situation and the potentialities of investment banking.

Appropriate for the momentary situation and the potential business that can and will be conducted in financial enterprises is especially important. The investment banker who has never issued a bond or a stock certificate is thoroughly financially qualified to lend his business to the institutionalization of the financial instruments of investments. His experience is becoming aware of the importance of the investment banker by his knowledge of the future business of the company that he seeks to carry on. He must have a thorough understanding of the investment needs of his client—directly control an ever-increasing demand for an ever-increasing demand for a direct control of the investment. The banker's client must control an ever-increasing demand for an ever-increasing demand for a direct control of the investment. The banker's client must have a thorough understanding of the investment needs of his client at any point in his business, and in any degree dependent upon the continuously available capital in the investment can be reinvigorated.

The investment banker can bring a variety of wealth of wealth, skill, and knowledge to commercial medium-sized business on its immediate capital problems and in long range financial goals. His professional knowledge and his creative imagination have been matched by the institution of the investment firm and the new business management. The necessity of always being acutely conscious of the future potential economic and financial developments on the business firm national and international scale affords him a perspective that is invaluable to his business, and to his client. He is able to:

1. To participate with his client's present and future corporate personality and investment character, which, by earning the confidence of his financial public, will be entitled to its continuing support.

2. To return to the kind of sponsorship that includes direction and representative duties.

The normal growth curve of the trusted corporate pension funds were applied, plus expected portfolio changes yet to be made by governmental, state and local pension funds from bond and mortgage purchasing to some per cent of equity purchases, that the figure will then have reached 90% of net purchases by institutions and only 10% by individuals.

What of the Medium-Sized Company?

With the practices and policies pursued today by the large segment of the investment market, where there is the small and medium sized business to look for equity capital that it needs to fulfill its opportunities in an expanding economy?

The plight of very many business has received and continues to receive the solicitous attention of the industrial and commercial owners. The traditional sources of small business capital, its owners, and all other friends and relations, suppliers, commercial banks and factors, have been augmented to a significant extent by new agencies and new methods. The Small Business Administration of the Federal Government, and its association with local banks, has established a very creditable record in providing credit for small business expansion and not infrequently has participated in original financing. Under the Small Business Investment Act, 1958, means are being established for setting up investment companies whose special function would be to make small business financing. Also, commercial banks and other financial institutions have extended greatly the range and volume of their capital commitments to small business. The development is that of importance of any large business, although it is widely utilized by business of all sizes, is the sale and lease-back arrangement. A very substantial amount of financing has been affected through these two kinds of arrangements, as a small portion of it has been of an equity type in character if not in name.

No one would deny the obvious importance of opening up new sources of capital for small business. In fact, it is not improbable that the preservation of the financial structure of the present system—investment and innovation—is directly dependent on the continuing availability of risk capital that will waive the protection of earnings and assets in return for the opportunity of exceptional profits. But, at least, the solution is the active concern of some agencies, although almost completely ignored by the investment banking fraternity.

The medium sized business is at no particular disadvantage when it seeks senior capital. Life insurance companies, commercial banks, and pension funds are not only receptive, but competitive for the business when the supply of and demand for investment capital is in reasonable balance.

The problem of equity capital, however, is an entirely different matter. We have considered the tendency of institutional investors to confine their common stock portfolios to investment leaders.

Of course, in the world of industry, large and small alike, have placed their main reliance for equity capital on the reinvested earnings of a substantial percentage of current earnings. Indeed, in the postwar period, reinvested earnings have provided about three times as much equity capital as has been raised by public offerings. The earnings of the corporate world do not earn enough to be used in the expansion of the corporation's economy and even its partial success in doing so over the past decade was exceptional. To a very considerable extent it was made possible by the financial power generated by the expansion of the postwar and Korean demand and these situations.

Small business in one respect has a favorable trend to finance through retained earnings because its stock is ordinarily held by the management who cannot benefit from dividends because of the high federal and state income tax rates. Public common stock financing is seldom possible, anyway, the only interest that must be considered are those of the controlling stockholders. Therefore, the total earnings can be reinvested.
Republic of Panama Bond Offering Formally Completed at Closing Ceremonies

Federal Reserve Bank of St. Louis

Volume 150
Number 5804
The Commercial and Financial Chronicle

Federal Reserve Bank of St. Louis

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Republic of Panama Bond Offering Formally Completed at Closing Ceremonies

Formal completion of the public offering on Nov. 20 of $18,000,000 of Republic of Panama 4.80% external secured bonds due 1969 took place recently in New York City, when Mr. Fabio E. R. A. L. A. Minster of Finance and Treasury of Panama (seated left), received a check for the net proceeds of the sale of the bonds from Philip Reid (seated, center), partner of Lehman Brothers, manager of the investment banking group which offered the issue for public subscription. Participating in the closing ceremonies were: seated, right, Ricardo Arias E., Panama's Ambassador to the United States, and, standing, left to right, Sanford L. Smith, Vice-President of The First National City Bank of New York; Panama's Fiscal Agent for the loan, and Marcel A. Palumbo, partner of Lehman Brothers.

Security for the bonds has an interesting historical background since it is based on the Treaty of 1903, as amended, between the United States of America and the Republic of Panama under which the Panama Canal was constructed. Interest and sinking fund instalments to retire the entire issue by maturity are to be derived from $1,000,000 of the $3,000,000 annual payment which the United States of America owes, under the Treaty, to Panama in perpetuity for the use and occupancy of the Canal Zone. The $1,000,000 payments are being applied and all bonds are retired, to The First National City Bank of New York, as fiscal agent for the loan.

Panama will use proceeds from the financing to redeem outstanding indebtedness of the Republic, including all indebtedness to the World Bank. The bonds were purchased from the Republic by The First National City Bank of New York for $1,000 per $1,000, secured by the Canal, and reoffered to the public at 101 1/4%, the latter price constituting a yield of approximately 4.78% to maturity.

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APPENDIX A
Recommended Procedure for Organization and Operation of State or Municipal Bond Legislation Committees

1. Organization of Committees:
(a) Appoint Chairman and members for following year, prior to Annual Convention.
(b) Include at least one representative from each state in IBA Group.
(c) Include young men who have served on Committee during current year and are familiar with legislation. Before Committees, they provide continuity and experience.
(d) Select men who are familiar with state government and who take an active interest.
(e) Establish a cooperative working relationship with state officials whose duties and activities are related to securities business. Meet at least once early in each year with the securities commissioner of each state in the Group to:
   (a) Inform him of identity of members of Committee in his state.
   (b) Discuss any administrative or legal problems of commissioner or industry.
   (c) Establish an attitude of mutual cooperation and confidence.
   (d) Undertake amendment of state securities law, or adoption of new state securities law of a model type, by administrative rulings relying where such action is needed to:
      (1) Provide more effective protection for investors.
      (2) Obtain greater uniformity with the laws and procedures in other states.
      (3) Coordinate state and federal type laws and procedures.
      (4) Eliminate unnecessary burdens on the orderly conduct of the business.
      (5) It is recommended that such work be undertaken, where possible, in close cooperation with the state securities commissioner. The work of the General Council of the IBA will give any desired assistance in this work, including drafting, court, and legislation.

2. Committee and Activities:
(a) A corporation or transfer agent registering a security in the name of a person who is a beneficiary is not bound to inquire into the existence, extent, or correct description of the fiduciary relationship, and the corporation and its transfer agent may assume without inquiry that the newly registered owner continues to be the fiduciary until the corporation or transfer agent receives written notice that the fiduciary is not the original owner, and that such notice is in writing and with respect to the particular security.
(b) The court and transfer agent may assume without inquiry that a transfer is within the authority of the fiduciary and is not in breach of fiduciary duty, even though the transfer is to the fiduciary himself or to his nominee. They may assume that the fiduciary has complied with any controlling provision of the law, including any law requiring court approval, and they are not entitled to receive any records or other documents even though in their possession. Thus the corporation and transfer agent are protected in transferring securities registered in the name of a person who is a beneficiary.
(c) A transfer or dividend made in the name of a person who is a beneficiary or who is described as a fiduciary in the certificate is not necessarily a sale or assignment. It must be shown by the record of the transfer or dividend that the transfer or dividend was made as a fiduciary or with the authority of the fiduciary. If the transfer is not a transfer to the fiduciary, or with the authority of the fiduciary, the transfer is a sale or assignment, and it will not be binding on the corporation or transfer agent unless the transfer agent has complied with all legal requirements.
desirable legislation and to
oppose the adoption of unsatis-
factory legislation.

Seek, encourage and support
the appointment of persons
of ability, intelligence and integ-
ity as state officials, particu-
larly as securities Commis-

APPENDIX B
Summary of Amendments to
State Blue Sky Laws in 1928.

CONNECUT

Section 5982 of the Connecticut
Securities Act was amended effec-
tive April 23, 1928 to eliminate a
requirement that the Bank Com-
missioner enter on the register of
brokers, dealers and salesman the
name of each entry.

LOUISIANA

The following amendments to
the Louisiana Securities Act were
adopted effective July 30, 1928:

(1) Subsection 11 was amended to
Section 51:704 (exempt securities)
by making the registration of the
security not compulsory for a firm
that has had a fixed return, which has
been outstanding in the hands of the
public for a period of not less than
three years, the issuer of which has
had a net income after taxes for a
continuous period immediately
preceding period of not less than
three years.

(2) Subsection 11 was added to
Section 51:706 (exempt transac-
tions) to exempt "The sale by a
registered dealer, acting either as
principal or agent, of securities
therefore sold and distributed
to the public, provided that;

(a) Such securities are sold at
prices reasonably related to the
current market price thereof at
the time of sale, and if such reg-
istered dealer is acting as agent,
the commission collected by such
registered dealer on account of
the sale thereof is not in excess of
usual and customary commissions
charged with respect to securities
and transactions having compara-
table characteristics; and
(b) Such securities do not con-
stitute an unusual allotment or
subscription by such dealer as a
principal in the distribution of
such securities by the issuer by
or through an underwriter; and

(2) Either Moody's, Standard
and Poor's or Fitch's securities
manuals, or any other recognized
securities manuals approved by
the commission, contains the
names of the issuer's officers and
directors, a balance sheet of the
issuer as of a date not more than
18 months prior to the date of
such sale, and a profit and loss
statement for each of the two
fiscal years preceding that date or
the most recent year of operation.

The commissioner may revoke
the exemption afforded by this
section with respect to any secu-
rity by issuing an order to that
effect if he finds that the further
sale of such securities in this
State would work or tend to
work a fraud on purchasers
thereof.

(3) Section 797 (registration by
notification) was amended to
eliminate a requirement that
the dealer must file a notice with
the Commission before selling
securities which have been regist-
red by notification.

(4) Section 710 (registration of
dealers and sellers) was amended
to exclude from the require-
ment that an issuer shall be
responsible for the registration
of the securities it shall register
as a dealer, any corporation or
individual exclusively for religi-
ous, educational, benevolent,
fraternal, charitable or refunding
purposes and not for pecuniary
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of "limited dealers" who are defined as dealers accused of selling or offering for sale a certain class of securities specified by the Secretary of State (as distinguished from a "dealer" who is authorized to engage in general securities businesses).

(2) Provision is made for hearings by the Secretary of State whenever an order is made or an order forbidding the sale of any securities or repealing or suspending or revoking the registration of any person as an investment company, dealer, limited dealer or agent.

(3) Some of the exemption provisions are modified and several new classes of exempt transactions are added.

(4) The filing fee for securities (which is based on the amount of securities), was increased so that the minimum fee for securities was raised from $25 to $50 and the maximum fee for securities was raised from $250 to $500. The fee for dealer registration was increased from $35 to $50 and the fee for registration of agents was increased from $5 to $10.

(5) Formerly, a separate filing was added restricting the qualification of securities if the issuer has authorized the issuance and sale, or has negotiated or contracted for the issuance of, optional, pre-organization, or incentive shares in excess of a specified percentage of the authorized capital of the issuer.

(6) A new provision was added that, after a registered dealer has registered an issue of securities, any registered dealer may thereupon register a like issue of securities.

NEW YORK

Several amendments to the New York Blue Sky Law were adopted, the principal of which were the following:

(1) The authority of the Attorney General to investigate was extended to include investigation of fraudulent practices in the purchase of securities or securities contracts.

(2) The fee for filing each dealer's statement was increased from $5 to $10. The fee for filing each supplemental dealer's statement was increased from $2.50 to $5. The fee for filing each sworn statement was increased from $2 to $4.

(3) A new section (Section 309-e) was added requiring every person who filed a dealer's statement on or before June 30, 1953 to the Attorney General on or before Feb. 1, 1954 a signed and certified "Certificate of Report of Existence." After the Attorney General gives notice to each dealer to whom this requirement applies and issues a proclamation, the dealer's statement of each dealer who is subject to the registration requirements while the required Certificate shall become void as of May 31, 1959.

APPENDIX C

Summary of Amendments to State Legal Investment Laws

Section 5815 of the Connecticut Legal Investment Law for Savings Banks in effect April 23, 1958 by adding a new section requiring the maintenance of assets of savings banks and of the savings departments of state bank holding companies (in addition to other investments) in securities of the governments or of the governments of regional school districts in the state, provided that not more than 6% of such assets are so invested and not more than 1% of such assets may be invested in the obligations of any one such regional school district.

NEW YORK

Section 81 of the New York Legal Investment Law for Insurance Companies, applying to insurance companies in effect April 9, 1958 by adding subsections to the section which provides that all investments which do not qualify under any of the specified classes of investments shall be limited to 2% of the admitted assets of the insurer as of the preceding Dec. 31 in the case of a separate or affiliated insurance company, or shall not be deemed to alter any other state or federal law or regulation or subdivision or section on the amount which may be invested in any of the authorized types of investments, except that a limitation of one-half of 1% of assets on investment in corporate obligations not otherwise qualifying shall not apply to the investment in an additional 1 1/2% of assets.

RHODE ISLAND

Section 19-6-29 of the Rhode Island Legal Investment Law for Deposits in Savings Banks was amended effective May 10, 1958 to raise from 4% to 5% the amount which may be invested in securities of the United States or in obligations of the United States issued for the payment of interest or principal of any national bank or for the payment of interest or principal of any federal obligations issued for the payment of interest or principal of any branch bank.

APPENDIX D

Uniform Act for Simplification of Fiduciary Security Trusts

[Be it enacted . . .]

SECTION 1. [Definitions.] In this Act the following words and phrases require:

(a) "Assignment" includes any written or oral agreement, contract, bill of sale, deed, declaration of trust, or other instrument of transfer.

(b) "Claim of beneficial interest" means a claim to or interest in property by a beneficiary, heir, legatee, distributee, heir or credit, a legatee, distributee, or creditor, a designated representative of a beneficary, a designated representative of a legatee, distributee, heir or creditor, a beneficiary, heir, legatee, distributee, heir or creditor, a designated representative of a beneficiary, a designated representative of a legatee, distributee, heir or creditor, or a minor or owner of a security, a mortgagee, a trustee, a custodian, or a claimant of any similar interest, whether the claim is assigned or not, against a fiduciary or by any other authority.

(c) "Corporation" means a private or public corporation, association or trust issuing a security.

(d) "Fiduciary" means an executor, administrator, trustee, guardian, committee, conservator, custodian, tutor, or custodian or nominee.

(e) "Person" includes an individual, a corporation, government, governmental subdivision or agency, business trust, estate, trust, partnership or association, two or more persons having a joint or common interest, or any other legal or commercial entity.

(f) "Security" includes any share of stock, bond, debenture, note or other security issued by a corporation which is registered as to ownership on the books of the corporation.

(g) "Transfer" means a change on the books of a corporation in the registered ownership of a security.

(h) "Transfer agent" means a person or an agent or an entity of a corporation authorized to transfer securities issued by the corporation.

SECURITY 2. [Registration in the Name of a Fiduciary.] A corporation or transfer agent registering a security in the name of a person who is a fiduciary or who is described as a fiduciary is not bound to inspect the instrument or to make any other inquiry as to the identity of the person in whose name such security is registered or the character or capacity of such person.

SECURITY 3. [Evidence of Assignment.] All transfers or assignments of securities made before June 1, 1958 shall be in writing and shall be prima facie evidence of the validity of the assignment unless the transferee, or his agent or the person in whose name the security is registered, shall, within 60 days after the date of the transfer, assign such transfer in writing to the transferor or the agent or person in whose name the security is registered.

SECURITY 4. [Evidence of Assignment.] All transfers or assignments of securities made before June 1, 1958 shall be prima facie evidence of the validity of the assignment unless the transferee, or his agent or the person in whose name the security is registered, shall, within 60 days after the date of the transfer, assign such transfer in writing to the transferor or the agent or person in whose name the security is registered.
ment or certificate, other evidence reasonably deemed by the corporation or transfer agent to be appropriate. Corporations and transfer agents may adopt standards with respect to evidence of appointment or incumbency under this subsection, provided such standards are not manifestly unreasonable. Neither the corporation nor transfer agent is charged with notice of the contents of any document obtained pursuant to this paragraph (b) except to the extent that the contents relate directly to the appointment or incumbency.

Comment: As noted above in the Comment to Section 2 of this article, when the executor seeks to have securities of his decedent registered in his name as executor.

SECTION 5. [Adverse Claims] (a) A person asserting a claim of beneficial interest adverse to the transfer of a security pursuant to an assignment by a fiduciary may give the corporation or transfer agent written notice of the claim. The corporation or transfer agent is not put on notice unless the written notice identifies the claimant, the registered owner and the issue of which the security is a part, and includes for communications directed to the claimant at its address, a statement of Goodfellow & Co., as to whether it is or has been so notified.

(b) As soon as practicable after the presentation of a security for transfer pursuant to an assignment by a fiduciary, a corporation or transfer agent which has received notice of a claim of beneficial interest adverse to the transfer may send notice of the presentation by registered or certificated transfer to the claimant at the address given by him. If the corporation or transfer agent so mails such a notice it shall withhold the transfer for 30 days after mailing and shall then make the transfer unless restrained by a court order.

SECTION 6. [Non-Liability of Corporation or Transfer Agent.] A corporation or transfer agent incurs no liability to any person by making a transfer otherwise acting in a manner authorized by this act.

Comment: Unlike Section 3 of the Uniform Fiduciary Act, this section contains no exception for cases of "actual knowledge" or "bad faith." But if a corporation or transfer agent consciously and acts a fraudulent conspiracy, there is of course no intention to impair the responsibility imposed by the general law of torts.

SECTION 7. [Non-Liability of Third Persons.] (a) No person who participates in the acquisition, disposition, assignment or transfer of a security by a fiduciary, including a person who guarantees the signature to the claimant at the address, is liable for any loss sustained by a person who participates in any breach of fiduciary duty by reason of failure to inquire whether the transfer involves such a breach, unless it is shown that he acted with actual knowledge that the proceeds of the transaction were being or were to be used wrongfully for the individual benefit of the fiduciary or that the transaction was otherwise in breach of duty.

(b) If a corporation or transfer agent incurs no liability to any person by making a transfer otherwise acting, the corporation or transfer agent by reason of this act.

Comment: Subsection (a) of this section permits assignment of "actual knowledge" of wrongdoing. In the case of an individual fiduciary, the knowledge of the fiduciary's wrongdoing is relevant in bringing the fiduciary into operation. In the case of an organization, the knowledge of the individual acting for the organization in the transaction is of course actual knowledge of wrongdoing. For this reason, it is not to be imposed "merely because it appears that at some stage by piecing together all the facts known to different employees a breach of trust would become more or less apparent." An employee's participation in a Breach of Trust, 34 Harv. L. Rev. 209 (1921).

SECTION 8. [Special Obligations.] (a) The rights and duties of a corporation and its transfer agent in registering a security in the name of a person making a transfer of a security pursuant to an assignment by a fiduciary are governed by the laws of the corporation as a corporation and its transfer agent having regard to the acts and omissions of the corporation as a corporation and its transfer agent having regard to the acts and omissions of the corporation as a corporation.

(b) This act applies to the rights and duties of a person other than the corporation and its transfer agent having regard to the acts and omissions of the corporation as a corporation and its transfer agent having regard to the acts and omissions of the corporation as a corporation.

SECTION 9. [Uniformity of Interpretation.] This act shall be so construed as to effectuate its general purpose to make uniform the law of those states which enact it.

SECTION 10. [Repeal.] The following acts or parts of acts are repealed by this act: Act 3 of the Uniform Fiduciary Act . . . J

SECTION 11. [Special Obligations.] This act does not affect any obligation of a corporation or transfer agent with respect to estate, inheritance, wills, trusts, or other taxes imposed by the laws of this state.

Twins City Women Hear

MINNEAPOLIS, Minn.—Minneapolis Trends during the past 15 years was the subject of a special talk by Stanley R. Munske, First National Bank of St. Paul, who addressed the annual meeting of the Twin City Investment Women's Club.

With Price, McNeal

V. Munske, who has become affiliated with Price, McNeal & Co., 166 Broadway, N. Y. C.

Goodbody Co. Adds

Jay E. Haynes has been added to the staff of Goodbody Co., 115 Broadway, New York City, members of the New York Stock Exchange, as a general representative.

With Lakewood Secs.

(Special to The Commercial and Financial Chronicle) LAKEWOOD, Ohio—Henry S. Hersey is with Lakewood Securities Corporation, 14714 De Troit Avenue.

Philadelphia Inv. Assn. Elects New Officers

PHILADELPHIA, Pa.—Robert T. Arnold of The First Boston Corporation was elected President of the Investment Association of Philadelphia at the annual meeting and election of the Association held Thursday evening at the Mason & Mig Club. Mr. Arnold succeeds Harry K. Hills and Reynolds & Co., whose term expired.

Other officers elected at the meeting were H. Gates Lloyd, Ill., of Drexel & Co., Vice-President; Herbert S. Bengston of Schmidt, Roberts & Parke, Secretary; and Frank J. Murray of Bache & Co., Treasurer.

The following were elected to the Executive Board of the Association: Marshall Schmidt of Hengel & Weeks; Edgar Scott, Jr., of Montgomery, Scott & Co.; and Mr. Hills.

Join A. Hogle Staff

(Joan T. Hogle is with A. Hogle & Co., 147 East First Street.

With A. E. Aub & Co.

(Special to The Commercial and Financial Chronicle) CINCINNATI, Ohio—Howard E. Phillips is joining the staff of A. E. Aub & Co., Fifth-Third Bank Building. He was formerly with Bache & Co. and in the past was an officer of Smart, Clowers & Phillips, Inc.

Beauchamp, West to Admit

Beauchamp, West & Stava, 115 Broadway, New York City, members of the New York Stock Exchange, Dec. 18 will admit Thomas T. Beauchamp, Jr. to limited partnership.

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The Securities Research Unit of the Wharton School has been assigned the task of fact-finding the phase-out of the SIC. We understand that the SEC is expected to complete its investigation this fall and submit its report to Congress. By the time of the convention, this study may already have been completed.

State Matters
Taxation by States and Terri

tories of Income from Distributions of Regulated Investment Companies—Legislation was enacted in this state in Georgia which provided for the taxation of distributions of regulated investment companies at capital gain rates. This law conforms to the principles of capital gain distributions in Georgia to Federal law. A similar law was enacted in Hawaii in 1977, effective for taxable years beginning on or after Jan. 1, 1978.

In New York, a bill which would provide for the taxation of capital gain distributions at capital gain rates passed the Legislature, but was vetoed by Governor.

Gifts of Securities to Minors—During the past year, gifts of securities has been adopted in Alabama, Kentucky, and Mississippi. This is a problem which exists throughout the country. This brings to 46 the number of jurisdictions in which the procedures for making gifts of securities to minors have been simplified.

Reports of IBA Investment Companies Committee

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practice has nullified the original developmental intent of the Act.

(1) Rates: The CAB's narrow utility rate philosophy, prolonged delays in rate awards, and only recent redefined recognition of economics, in the form of two temporary rate increases, has failed to re-establish adequate airfares, even over investment status. The CAB historically has based its rate decisions upon a fixed maximum allowable rate based upon those portions of the cost that the Board chooses to recognize. This utility analogy is completely inapplicable in view of the intense competition, volatile earnings, high capital turnover, rising reproduction costs, and high obstinate sector factor within the industry.

Based upon this narrow concept and despite recurrent industry protests, the CAB placed a ceiling upon general air passenger fares at close to 1938 levels for 20 years. During this same period, consumer prices rose 86%, first-class railroad fares 46%, bus fares 37%. The airlines' own cost, just since 1947, rose 405%. The airlines driven by inflation costs and competition pressing against 1947 rate ceiling, have repeatedly petitioned the Board to meet with CAB delays.

Industry leaders warned as early as 1956 of an impending financial crisis unless fare adjustments were made. Subsequent figures have borne out their warning. While consolidated operating revenues of the domestic trunkline almost doubled in the period, airplane earnings, depreciated costs which the Board chose to recognize, have entirely been more than met with CAB delays.

(2) Competition: The CAB's concept of narrow utility concepts which can not fulfill the development intent of the Act, in which the airlines from $1 million to $1.41 million, net income declined 8.5% from $8,544 million to $8,015 million. During the six years, the trunkline's after-tax return on investment declined from 14% to 5%, their profits fell from 7% to 3%. With no adjustment in outdated rate schedules, the trunklines estimated that they have lost over $1 million per month in losses, which would result in technical default on financial obligations.

Despite these overwhelming indications of financial need, the CAB's philosophy needed a General Passenger Fare investigation until May 1966. After 31 months of waiting, the CAB had produced the strongest case for a permanent 15% increase. However, the CAB still delays its decision. Furthermore, in 1967, discredited the airlines' petition for an emergency 6% fare increase. Indeed, it then concurred with the CAB's statement that the current general fare level will provide sufficient revenue not only for operating expenses but also for the capital costs of the carriers.

The CAB only grudgingly shan do this untenable position by granting two temporary fare increases in 1968, pending decision on the General Passenger Fare case. The average 6.6% increase in fares granted in February and annual average increase in October, resulting from a change in discount, represents a piece of the little-too-small a-d-too-late approach. Thus, despite a 2% increase in revenue, which the CAB increased by $200 and $300, with three of the majors reporting deficits. The CAB Staff Report recommended that at least two-thirds of a temporary rate increase be eliminated in two stages over the next two years.

In the area of rate determination, we urge that the CAB examine the rates that the industry, and the CAB is given a more accurate measure of the risks and development needs of the industry and an operating rate sufficiently conservative to ensure its high capital turn-over and volatile nature.

(3) Competition: The fallacy of applying narrow utility concepts to the airlines is nowhere more clearly demonstrated than in the area of airline competition. The most intense intercarrier competition determines actual, rather than theoretical, recoverable, earnings, schedules, rates and fares, and promotional outlays. While the CABs does not have the power to regulate the CABs, it has utilized this power in recent years to protect the airlines' interests, often at the behest of the CAB, to the point that airline earnings are generally understated. The most favored-high-density routes. In post-war years the CAB has granted a number of consumer areas entry to the profitable high-density routes without the countervailing requirement imposed on airline of minimum service and acceptance of non-profitable low-density routes. Since 1965 the CAB has sought to equalize opportunity, for the weaker trunkline through a series of over-lapping certifications on the more profitable routes.

Competition in the 50 highest traveled domestic markets, as a rule, has increased 5% since 1965, with the average number of competing carriers per market ranging from 2.9 to 5.9. Now 13 of the most lucrative markets have been awarded to the CABs, while only one had comparable competition before 1965.

Industry leaders, faced with CAB-decreed over-expanding competition, has been forced to a series of unwise policies of financial action. The CABs proposed to eliminate 14,000 to $20 million, with three of the majors reporting deficits. The CAB Staff Report recommended that at least two-thirds of a temporary rate increase be eliminated in two stages over the next two years.

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investments in new missile, electronic, and testing facilities at the same time that they are faced simultaneously with the high costs of maintaining their high bay airframe facilities.

B. Consequences of the Relationship

The financial consequences of this major alteration in the face of the industry's attitude toward the transition to commercial jet aircraft production, may not be favorable in the long run. It is likely that total aircraft industry margins will decline from about 7% in 1953 and will not fully recover in 1955.

The accelerating missile program will not lift the immediate threat, the threat of a large volume in military aircraft. Contrary to popular opinion, only about 74% of the projected increase in the 1959 budget stems from the increased demand for new military power. It is true that the government, in order to increase the current production of military equipment, can always invest in the development of new military and an increase in the number of all types of military contracts. However, the end result is that the total government expenditures in the missile-aircraft and other areas will increase from an estimated $11.2 billion in fiscal 1958 to $11.5 billion in 1959. The government's annual tax return on sales, which has fallen steadily from 1951 through 1954, is expected to shrink even further. In the United States, with face mounting fixed costs, increased demands for the facilities, and diminished reports on the development of commercial jet and an increased production of cost-plus-fixed-free contracts. Deliveries of new military and commercial jet planes are in steep decline and will be almost negligible by the end of the year. As the indicated, the airplane may prove unsuitable for the current commercial or commercial jet market and may face an unremunerated investment in this program of over $1 billion, almost in contrast to the total $1.5 billion capitalized in the 12 major airframe companies. The acceptability of proposals, for presentation to Congress, need to be seen in the light of a permanent industry committee, to be established by the government, acceptable proposals, for presentation to Congress, need to be seen in the light of a permanent industry committee, to be established by the government, in order to establish the basic financial and managerial means to adjust to this major transition period.

A sound initial step in this direction was taken last month with a meeting of the industry "Committee of 12" (chairman, Mr. W. F. McNally). We hope these meetings will be on a sustained basis and will result in concrete moves rather than mere staff studies. To this end, we present below our financial viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This our viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship. This viewpoint on our appraisals of the many problems stemming from the government-industry relationship.

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C. Financial Impact of the Relationship

(1) Advantages of Incentive-Type Contracts. Due to the current research and development program, the government may be in a position, for a portion of the costs incurred, to pay a fixed fee in advance, irrespective of performance. This cost-plus-fixed-fee has the disadvantage of not determining the total incentive of cost reduction for the total contract price, thus limiting the ability of the contractor to control his cost and improve his efficiency.

We therefore urge that Congress limit renegotiation to those isolated, unprofitable contracts where it is impossible to establish costs and prices through the regular contracting process.

(2) Progress Payments: Proven reduction by the government of payment on contracts in process threatens to force a capitalization of the industry for the cost of the United States in the event that contract renegotiation is allowed to determine contract price for the full cost of financing.

The government's in effect forcing the industry to obtain ad heartily capitalization of its funds, which it is called under the Renegotiation Act, earnings deprived of government contracts, and instead, a retroactive review and downward adjustment by the Renegotiation Board over since 1941. The original intent of Congress, in which we heartily support, is to prevent the liquidation of the industry and to eliminate excess profits.

As arbitrarily administered by the Board, the renegotiation process is inequitable. Rather, it has been used to penalize companies that have been successful in saving the government tax dollars. Industry incentive earnings resulting from reduced manufacturing efficiency have in many cases been retroactively reduced by the Board and, in several cases, basic run contracts have been reduced. The result has been to penalize the efforts of all companies in the industry as a whole. The reduction in pre-tax income has averaged $5 per contract, year in year out of the period 1953-1954, with the industry as a whole penalized over $101 million during this period. The broad explanation that on the average, the profits allowed were excessive, is not valid with regard to the large number of retroactive loss of earnings, the industry is not understandable, whether the amount of investment in military research and facilities for the most rapid weapons development.

We believe the renegotiation process to be unfair to those isolated, unprofitable contracts where it is impossible to establish costs and prices through the regular contracting process. We urge that Congress limit renegotiation to those isolated, unprofitable contracts where it is impossible to establish costs and prices through the regular contracting process.

In the area of progress payments, for example, the Defense Department, as an integral part of the government's wage determination, allow the aircraft manufacturers adequate earnings to cover the increased cost of personnel required to finance government contracts. The earnings allowed must include a stability and growth factor sufficient to provide an operating rate and a return over fluctuating conditions for a long-term investment in the industry.

5. Desirability of the Saltonstall Hearings. Senate Bill 4294, sponsored by Senator Saltonstall, Ranking Member of the Special Armed Services Committee, represents a sound and carefully conceived attempt to solve many of the problems listed above. The bill is based upon a 6-month period of preparation and reflects our own views and those of many, many leaders in the industry, the Defense Department procurement policies.

In brief, the Saltonstall Bill would amend the Defense Procurement Act of 1947 to:

(1) Require the use of incentive-type contracts unless another method is specifically proven in the public interest.

(2) Require specific plans to be written in terms of broad functional performance unless another type is proven more efficient.

(3) Provide statutory support for wage and price system procurement with maximum independence granted to the systems manager and the contractors.

(4) Exempt renegotiation of all incentive contracts or any contract entered into after formal notice procurement activities or competitive negotiation.

Without proposing to pass judgment on the bill, we nevertheless wholeheartedly support the principles of the Saltonstall Bill, in the belief that the cost effective and productive solutions to the problems facing the aircraft industry.

Respectfully submitted,

AVIATION SECURITIES COMMITTEE

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operation as against 7 at the time of the Geneva Conference in 1955. A continuing large effort will have to be devoted to the many technical problems of the fuel cycle.

Fuel Cost Factors
When we talk about atomic fuel cost, we must consider things which add up to the actual cost of nuclear fuel per kilowatthour of energy released. We must do no better than mention these factors which make up the fuel cost:

1. There is the mining of uranium and thorium ores;

2. The milling of uranium and thorium ores in which the uranium and thorium oxides are extracted;

3. The "feed material" plants in which the uranium and thorium oxides are transformed either into metal or, in the case of uranium, into a gaseous compound of uranium—uranium hexafluoride—with subsequent separation of it into the two basic isolopes of natural uranium, i.e., uranium-235 and uranium-238. (4) The manufacture of the fuel elements to be inserted in the reactor core.

5. The chemical reprocessing of spent nuclear fuels in which the fission products present or produced in the fuel elements have to be separated for re-use and in which the radioactive products released in fission have to be disposed of or put in some form.

The first four elements of nuclear fuel cost are rather well known today. Much experience has been gained in the mining and milling industries. The feed material plants and gaseous diffusion plants have been in operation for many years and many companies are engaged and have gained experience in the manufacture of fuel elements. The last cost factor, which is severest in that of chemical reprocessing and waste disposal per kilowatthour is boiling water reactors, is still largely unknown. Furthermore, even the frequency of reprocessing which in turn depends on the lifetime of the fuel elements is a difficult metallurgical problem which for the time being will not require much more research.

Reactor Cost Experience
In the three years since the previous Conference, the world's first large-scale nuclear power stations came into operation at Hanford, Wash., at Chalk River, Ont., and at Shippingport in the United States, and the first American reactor has been taken advantage of the operation of the large English and largest American reactor is invaluable in preparing the way for the next generation of reactors. The station thus gathered complements that obtained from earlier small-scale experiments. Yet, in spite of this experience, capital costs per kilowatthour still appear to be about twice those of coal or oil fired stations, although these costs will be reduced significantly during the next decade. As far as capital investment is concerned, it is unlikely that reactors will ever be cheaper as conventional power plants, because reactor plants will always be more expensive than conventional plants, and nuclear plants are more expensive to operate.tractive technology, however, more competitive power is only a few short years away is based on whatever limited experience is available today regarding the fuel cost which shows that nuclear fuel costs are already lower than conventional fuel costs. The break even point is not far off as the overall economics are concerned. The break even point for nuclear costs versus conventional fuel costs is not as far off as the excess fixed charges of the plant.

Let us again stress that high load factors are essential to counter the present high capital costs. In this country as in England or elsewhere, reactors are placed in relatively few locations and are thus expected to carry the load with the consequent high utilization of the nuclear fuel capacity. Probably in five to eight years, the load factors in Britain will begin to fall below 85% and we will only have achieved parity by then. This lag in the time scale is due to the fact that the energy content of fossil fuels in our country.

Italy
It is significant that the Italian Company, "SENN," an Electronucleare Nazionale) decided during the last few days of September to order a large nuclear power station of an installed capacity of about 500,000 kilowatts. This plant will be built by General Electric Company under the Services as architect-engineer and constructor. It is the first nuclear power station to be financed by the World Bank and SENN's decision was only arrived at after many bids had been received from many companies in the world. The plant will be a boiling water reactor. The company has been judging from the Geneva Conference, it is great a result of the good performance of reactor experimenters. Because of their comparative simplicity, they have no heat exchangers. They may also achieve lower costs than some other concepts. Nevertheless, the studies made by SENN are particularly important to have that they show, and that some other assumptions regarding the power in Italy will be about 10% more than the costs from oil. There are indications that there is really very little economic difference between the various types of reactors developed in this country and in the United States. It is really a "neck to neck" race.

Euratom Nations
The six Euratom nations—France, West Germany, Italy, and the three Benelux nations—Beli, Holland and Luxembourg—agreed to a ambitious goal of 15 million kilowatts capacity by 1967. It is not apparent that although this goal will not be reached, the Euratom nations together with the other nations of Western Europe will probably have at least 5 million kilowatts capacity in 1967. Our own program is represented in the United States which aims at 5 million kilowatts by 1963 and let us emphasize here that we are not in a race. We lead the world in our country and continue to retain its lead because of its diversified program which has a broader foundation. The United States is more than the atomic program of any other nation in the world, and our nuclear plants have a large share of the total capacity in the early 1960's and the United Kingdom hopes to complete 5 to 6 million kilowatts by 1965. India predicts 500,000 kilowatts and Japan 750,000 kilowatts by 1965. All this adds up to about 20 million kilowatts of nuclear capacity in ten years out of a total installed capacity of 400 million kilowatts of the entire world. Once the UK's break-even point is reached, an increasingly large percentage of yearly load will be nuclear and in 20 to 25 years the extensions to the installed capacity will probably be nuclear.

The tremendous advances in Genevawah was placed by the British, the Russians and the United States on the fast breeder reactor concept in which more fissionable substances are used than is consumed. The true future of atomic energy in this direction. Without breeding, atomic energy at best would be comparable to oil, not even to coal. As you know, the energy resources in oil is only a small percentage of the energy which exists in coal and this is true for the world at large. The use of plutonium in reactors will lead to a much better utilization of world uranium supplies. Fortunately, the abundance of uranium has not been exhausted for the next decades that we will master the breeder reactor concept and the plutonium cycle.

Uranium Ore Reserves
The Free World production of uranium oxide will soon be at a level in excess of 40,000 tons a year, to be produced in South Africa, Canada, the United States and France, contain at least two tons and an additional two tons is likely to be available. These reserves are higher than those made in 1956. In 1956 we did not have reserves in Russia, China, and other countries, world reserves of high-grade ore are estimated at 250,000 tons of uranium oxide. These reserves are to cover a long time at our present rate of production which is very much the same level as the peacetime use of the atom. We are now developing the fusion power long before we run out of uranium.

Let us give the impression that coal, oil or natural gas will be waiting for us but their reserves will not be. Coal, oil and natural gas war very meagre, if you use 100 as an index of our present energy input from coal, oil and natural gas, only 15 of that total energy input is used to make electricity which you know, is not a source of energy per se, but a convenient way to handle energy which is stored in the fossil fuels. That figure is 15% is the 600 billion kilowatthours we produce in this nation yearly in conventional power stations. These fossil reserves in excess of 130 million kilowatthours is enough to supply what we can, we, by a stroke of magic, convert overnight that huge amount of energy as needed by coal and natural gas which we will still have to rely on. We will still need oil and natural gas where they are used directly or transformed for the medium of electricity. In the years to come we may develop cheap, coal, oil and natural gas will become more expensive, so will the Middle East which contains the largest known reserves. Should this be the case it is more likely to be at hand with the long-term plans of the Atomic Energy in the United States" Savannah will come into commission in 1969 as a combined oil and gas reactor plant and that the Atomic Energy may not yet be ready to recover when oil and natural gas first and coal next become scarce.

Other Aspects
Regarding the other important questions such as where it is used as a source of heat or as the power for ships or aircraft, let us just say that the technical feasibility of use of our nation has been abundantly proven by the submarine "Nautilus," by the "Savannah," and by the "Sea Wolf." The United States "Savannah" will come into commission in 1969 as a combined power and heat plant and that the Russians expect to build a nuclear reactor using a boiling water reactor for propulsion by 1962. In the meantime, details were given.

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at Geneva of the ice breaker "Leslins," which is due to be commissioned in 1966. It will be a few years—more here than in the electrical field—before nuclear power will be competitive with conventional ship propulsion plants. Here again, let us put the emphasis on the loud factor and thus underline the fact that atomic propulsion will first be competitive at high speed at which the oil tanker is the ideal example.

In contrast with the hopeful outlook for marine applications, commercial nuclear aircraft propulsion appeared at Geneva to be much, much further away.

Atomic energy seems to hold a bright future in some other applications such as demineralization of sea water, whereby the world some day may be able to produce unlimited quantities of clear, potable water from the oceans while we would obtain at the same time as vital by-products, the ocean's inexhaustible mineral resources and the heavy water which will give us our future fuel in fusion reactors. An abundance of water supply will in time become as vitally important as an abundant energy supply.

III

Radioactive Isotopes and Radiation

At Geneva, the many industrial uses to which radioisotopes and radiation are put were outlined brilliantly by Dr. Willard Libby, one of our AEC Commissioners. Emphasized the tremendous savings in industry and agriculture brought about by their use each year. Industrial savings are now at a level in excess of $500 million per year which already is giving us a 7% return on the $7 billion of taxpayers' money invested in nuclear installations. Russians also indicated that the present annual savings to Soviet industry by their use exceed one billion rubles which, at the official rate of exchange, is about $250 million. How can anyone doubt the brilliant future that atomic energy holds for us when the radioisotopes alone, too often improperly called the "radioactive element," make up the entire energy program of this nation, pay its way, quite independently of the more vital aspects of atomic energy as a source of energy.

Radioisotopes

Uses of radioisotopes have been so diversified and extended to so many countries that it is impossible to review them here. The technical principles involved in the use of radioactive isotopes can readily be reduced to three major types of use.

In the first mode of use, the radiation acts on materials. Radioisotopes are used simply as a source of radiation much as radium and X-ray machines are used. A target material is affected in some manner by the radiation. This target may be a cancer patient receiving radiation therapy, or a plastic being irradiated to change its properties, or a bag of potatoes being irradiated to prevent decay.

In the second mode of use, the effect of the target material on the radiation furnishes information about the material involved. In this mode of use, the application is based on measuring the radiation which penetrates or is reflected from the material. The radiometric technique may be a counter or a photographic emulsion. This mode is used in medical radiography when a radioactive source replaces X-ray in industrial applications such as in measuring the thickness of a moving sheet of metal radiographing the internal structure of a piece of machinery. The equipment in this mode of use may be small, lightweight, portable, etc.

In the third mode of use, the radioactive isotope serves as a tracer to follow the complicated path of atoms in physical transfer or chemical or biological reactions. This date is still the most important use of radioisotopes. Radioisotopes are incorporated by their use in the tracer method to make the entire energy program of this nation pay its way, quite independently of the more vital aspects of atomic energy, or in a chemical or biochemical reaction. The material labeled and traced may be oil running through a pipeline, sugar being utilized in a bakery, or an atom transferring from one kind of molecule to another in a chemical reaction.

Unborn Uses

There are many unborn uses of radioisotopes in the fields of medicine, agriculture and industry. Isotopes may also contribute to our knowledge of such matters as the atmospheric circulation problem. We may thus learn to predict weather more accurately.

With the continued growth of the nuclear power industry, hundreds of thousands of kilograms of radiation unavoidably will be produced. This gamma radiation is enormous in comparison with the radiation in our everyday life.

In the international field, however, the problem is enormously complicated by the fact that the suspects of the Harvard law school, released in May of this year, points to the complexity which arises not only from the existence of separate legal systems, but also from the possibility of complex cases. This is, of course, a relatively simple example, an example that radiation located in one country, having been designed or equipped by a supplier in another country, could cause the loss of property or life in yet a third country.

In case of accidents involving nuclear power ships, there would be additional complications in the already complex problems of territorial waters and, of course, special law, which is all different problems to adjudicate in future nuclear powered aircraft both within and beyond the earth's atmosphere.

I.A.E.A.

These are problems as well as those of waste disposal with which the International Atomic Energy Agency in Vienna, Austria, is currently dealing. The power to the third-party liability problem in the international field seems to lie in the setting up of multilateral agreements.

Apart from this insurance problem, we have bilateral agreements with many nations to foster their research and power reactor programs. The I.A.E.A. should be considered as a prototype of such multilateral agreements.

This is a specialized organization of the United Nations, like the World Bank. It is the embodiment of the high principles of the 'Atoms-for-Peace' Program outlined by President Eisenhower in his most inspiring speech in December 1953 before the United Nations Assembly. The Agency's future success, however, will depend on its ability to coordinate on the attitude of the communist member nations which have been formally recognized by the Agency as a political platform, thus obstructing the Agency's real tasks. However, international cooperation in this field will probably impose itself in time as the implications of atomic energy are such that the United Nations, itself, will realize that they need to cooperate with the rest of the world.

An Agreement for Cooperation in the civilian uses of atomic energy between the United States and the six nations of the European Atomic Energy Community—EURATOM—was signed in Brussels. The Agreement has as its major objective the construction of one

Continued on page 70
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Report of IBA Nuclear Industry Committee

million kilowatts of nuclear capacity within the next seven years, using reactor types developed in the United States. The Agreement is expected to come into force after Congress concurs in January 1959. It calls for:

Financial Guarantee
Financial guarantees by the United States of up to $30 million for a 10-year operating period with respect to the cost of integrity of the fuel elements required in the reactors.

Long-term assurance of an adequate nuclear fuel supply at prices equivalent to those offered to domestic U. S. industry.

Guarantee for a 10-year period of a market for the plutonium recovered from the reprocessing reactors in the program.

Underwriting long-term credits from the Export-Import Bank of up to $135 million to cover a portion of the capital costs of the nuclear power plants.

A long-term assurance by the United States that chemical reprocessing services will be available under terms comparable to those then available to U. S. industry.

An integral part of the program is a joint 10-year research and development project. During the first five years the Community and the United States will each contribute up to $50 million to this program.

These basic arrangements will be of mutual benefit. The preliminary International Agreement and the legislative basis for initial participation in the joint program as contained in the Baramo Cooperation Act of 1958 have now been approved by Congress in August, 1958.

Conclusion
A firm foundation has been laid for sound atomic energy developments in the United States and in the Free World. We can all look with increased confidence toward the future of this great new industry in its many facets and ramifications.

The future of atomic energy does not lie in the miliary aspects of the bomb, nor does it lie in the glamour of the atom as some dreamers have conceived it. The atom is neither frightful nor glamorous. The prospects are for a stable and secure future, providing the high standard of living, for our society and the advanced nations of the world, whose appetite for energy is enormous and still growing.

The atom also holds the promise for the underdeveloped nations the great promises that became evident at Geneva in 1955, although on a different time scale than had been envisioned at that Conference. Atomic energy, like all the good things of life, will become ours only through the continuation of our efforts on a national and international scale.

Respectfully submitted,

Report of the IBA Federal Taxation Committee

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Societies in as forcible and effective manner as possible, and:

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Report of the IBA Federal Taxation Committee

Continued from page 29

With Channer Secs.

(Headed for Financial Chronicle)

CHICAGO, III. — Edward F. Deo, Jr. is now connected with Channer Securities Co., 39 South La Salle Street.

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IBA Governmental Securities Committee Report

problems of the period have their origin in the unbalanced budget.

Budget Cost Versus Inflation Toll

In any event, the increased interest cost involved in striving for a sound debt structure is nominal compared with the possible inflationary consequences of artificially created easy money. There is a real danger that we will do the same cause of sound money various damage if we attempt to limit arbitrarily the interest cost of servicing our national debt.

We need a flexible monetary policy but there is no denying that in some instances our monetary policies have an effect that is not intended just as the too frequent public utterances of officials indicating their intention to fight inflation suggests to many people that inflation is out of control. Certainly the purpose of monetary policy to force the Treasury debt into a shorter position and certainly we need willing investors in longer term Government securities if we are going to be able to prevent this from happening.

People Question Long Terms

Yet more people today are questioning the advisability of owning any fixed income securities than at any time in this country's recent economic history. As a consequence, we have seen in some measure a flight from Government issues into Securities including common stocks. Furthermore, the preference of investors for shorter term Government securities as against longer issues in recent months has enhanced the difficulties the Treasury faces in lengthening the debt.

We hope that any investigation of fiscal and monetary policy will delve into analysis of the basic problems that we face such as the Federal debt structure and unbalanced budgets and let place their emphasis on artificial means of limiting interest cost. Attacks on interest rates have always been politically popular and yet one wonders why this should be insane as there are many more individual savers in this country than borrowers. The investor is necessary to the continued growth of our country and the interest rate is one of the important instruments in our free economy that secures his cooperation. Perhaps at times the investor has not been given all the consideration he deserves in monetary policy decision.

The Treasury by its actions has indicated an awareness of the problem and has recently demonstrated a determination to improve its debt management operations. Investors in this country and in the entire world are watching to see how resolutely we deal with our difficult fiscal and monetary problems.

Respectfully submitted,

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Joins Municipal Bond Corp.

(Submitted to the Financial Chronicle)

ALTON, III.—E. M. Guenther has joined the staff of Municipal Bond Corp., 265 West Third Street. Mr. Guenther was previously an officer of the First National Bank & Trust Co. of Alton.

With First California (Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Le- roy E. Killibrew Jr., has become affiliated with First California Co., Inc., 500 Montgomery Street, members of the Pacific Coast and Midwest Stock Exchanges. Mr. Killibrew previously with T. M. Simon & Co., Inc.

Eugene Sullivan With A. C. Allyn & Co. (Special to The Financial Chronicle)

BOSTON, Mass.—Eugene Sullivan has become associated with A. C. Allyn and Co., 10 Federal Street. Mr. Sullivan in the past was manager of the Profit Sharing and Pension Plan Department for Keller & Co.

Suroto Bros. Branch

Palm Beach, Fla.—Suroto Bros. & Co. has opened a branch office at 44 Coconut Row under the management of Andrew T. Baldaio.

With Fuss-Schnebel (Special to The Financial Chronicle)

ST. LOUIS, Mo.—Edward R. Hawkin has become affiliated with Fuss-Schnebel & Co., Inc., Bostom's Bank Building, members of the New York and Midwest Stock Exchanges, Mr. Hawkins previously with T. M. Simon & Co., Inc.

J. H. Brooks to Admit Wilkes-Bare (Special to The Financial Chronicle)

Jack Hurst will become partner in J. H. Brooks & Co., on Jan. 1. He will make his headquarters in the firm's Wilkes-Barron office, 29 South Franklin Street.

With W. L. Lyons Co. (Special to The Financial Chronicle)

LOUISVILLE, Ky.—Harry M. Carr is now with W. L. Lyons & Co., 335 South Fifth Street, members of the New York Stock Exchange.

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M T S C K O S T O C K S
The Commercial and Financial Chronicle... Thursday, December 18, 1936

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Report of IBA Railroad Securities Committee

request would be compensatory and nondiscriminatory.

Prospects for Rates and Earnings

This section of the 1938 Act has caused concern in certain quarters lest the Interstate Commerce Commission misinterpret the intent of Congress. It is too early to say whether these fears are well founded, but it is hoped the Commission will be realistic in considering requests for competitive rate adjustments. In the opinion of your Committee, a regulatory policy for transportation rates, which gives the carriers freedom to make competitive but compensatory rates, would be a most effective step toward improving the credit base of the industry.

The trend of declining traffic for the railways, that began in the latter part of 1957, was arrested towards the end of April, 1958. Although not quite back to the 1957 level, railroads have, for the last several months, shown a tendency to improve and there is every indication that the business recovery now taking place will continue well into 1959.

For the first nine months of 1958, Class 1 Railway operating revenues aggregated $7,612 billion, as contrasted with $7,270 billion in the like period of 1957, a decrease of $900 million, or 11.5%.

Net railway operating income for the Class I roads in the first nine months of the current year totaled $438 million, or $212 million less than the $650 million earned in the same period of 1957. The relationship between earnings and fixed charges showed the charges for the first nine months to be earned three times, figured before the deduction of Federal income taxes, as against four times in the corresponding period of the preceding year. For the month of September, the corresponding figure of coverage was earned six times in 1958 and 4.80 times in September, 1957. Further improvement in earnings protective for fixed charges may be anticipated as the traffic picture continues to improve.

Superficially, the fixed charge coverage data seems satisfactory, whereas careful examination of available statistics reveals that the good showing is more reflective of an extremely modest debt. Furthermore, it should be remembered that the results of many major railroads were well below the average.

Based on results for the 12 months ended Sept. 30, 1958, the earnings of the railroad industry in relation to property investment showed a rate of return of only 2.28%. The annual rate of return over the last ten years never exceeded 4.13%.

Passenger train service operations of the railways on the basis of the Interstate Commerce Commission accounting rules governing separation of costs by class of service, are still being conducted at a substantial loss. For the year 1957, revenues from this service aggregated $1,253,000,000 which was insufficient by an amount of $723 million to cover the allocated costs of the service.

Recommends Passenger Traffic Subsidization

If the public interest requires the railways to provide passenger service and your committee believes this, then the traveling public using this mode of transportation must be subsidized. It is beyond the scope of this report to suggest the form and extent of such subsidies.

It is noteworthy that the New Haven Railroad last summer entered into an arrangement with various municipalities in its service area in the vicinity of Philadelphia under whereby it will receive over a period of three years from the municipalities a sum of $900,000 for the purpose of maintaining service. Similarly, the Pennsylvania and Reading Railroads more recently agreed with the City of Philadelphia to provide certain passenger train service under conditions that involved a city paying to these companies, over a period of a year, sums totaling $165,000.

The railroads are constantly striving to improve their earnings position and eliminate economic waste. The work of management in this respect represents a Herculean effort in the face of political factors, labor demands and the inflated costs of doing business. Some idea of management's problem can be gained by examining the fact that based on 1947-1949 as being the 'normal' year, the average railroad labor cost has increased approximately 100%, material and supply cost, and the average charge for freight transportation, the backbone of the railroad industry, is not over 20% higher.

Merger and Coordination Studies

Rail management can be relied on to continue its great work, and evidence of management's determination to greatly strengthen the position of the industry is found in the current series of studies being made of possible mergers and coordination of facilities. Mergers would produce, in the opinion of your committee, expense savings that would make the present aggregate earnings of the railroads look small by comparison; coordination also promises the opportunity of important savings. If the industry is to prosper as a part of our free enterprise system, such savings as may be realized from mergers and coordination of rail facilities must not be dissipated since they can be lost to both the fixed in service charges, while the rate structure on the 4 3/4% of the new rail transportation facilities is at such a low level.

Stockholders, over the last year, railroad security prices, in general, followed the pattern of earnings trend. The prices for the bonds of the better credits, such as Union Pacific, Santa Fe, Norfolk & Western, etc., were determined by money market conditions.

Stock Price Recovery

Railroad stock prices have vig¬

gored recovery, from the low point reached last January and the averages are now up more than offering. Many railroad common stocks are close to or recently surpassed the highest prices actually sold in the 1956-1957 period. Does this enthusiasm for rail stocks portend a new horizon for the railroad industry? There is much reason to be optimistic, based on what has already transpired this year, as well as what is in the horizon, while it is not too much to expect a yearto- year or even a several years trend in the stock market. The "Katy" is currently offering its holders of preferred stock a new $100, 6% income debenture, $100 certificate to be liqui¬
dated on or before March 15, 1961, per share of Class "A" common, par $25, income 6% bonds par-for-par plus 1/2 share of Class "A" common.

In addition to the above security offerings there were several security exchanges proposed by certain railroads to modify their capital structure. All of these proposed exchanges had as an objective tax savings through the substitution of bonds for stock. The roads involved were the Monon which offered the holders of its Class "A" common, par $25, income 6% bonds par-for-par plus 1/2 share of Class "A" common.

The "Katy" is currently offering its holders of preferred stock a new $100, 6% income debenture, $100 certificate to be liquidated on or before March 15, 1961, per share of Class "A" common, par $25, income 6% bonds par-for-par plus 1/2 share of Class "A" common.
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LORING, JR., ANDREW J.
Loring Burt & Company, Boston

LOW, THEODORE Y.
Newhouse & Company, Chicago

LoweJ, JAMES B.
Paine Webber, Jackson & Curtis, New York

LUBIN, LEO.
Leubin Trust Company, New York

LUCAS, JR., MARK A.
Luce, Isaac & Company, Kansas City

LUSSON, ANTHONY.
Lusson & Company, New York

Lyon, Andrew.
Lyon & Company, Chicago

Lyon, James.
Lyon & Company, Philadelphia

MacCallum, J. B.
Rothschild Securities Corporation New York

MacDonald, George C.
Newhouse & Company, New York

MacFadden, Ronald S.
Easterman, Gelsthorpe & Company, New York

Macaulay, W. F.
E. C. Macaulay & Company, New York

Macklin, John S.
Macklin, Jordan & Company, Chicago

MaeOHara, J.
Mazzie, Shamberg & Company, New York

MAGNUS, JULIAN A.
Magen & Company, New York

MAGNUS, WILLIAM S.
Magen & Company, New York

MANLEY, MILTON A.
Manley & Company, New York

MARCHWILL, ANDREW K.
Drexel, Morgan & Company, New York

MATERIALS, PETER H.
Investment Dealers Digest, New York

MATIL, W.
Bache & Company, New York

MAYCOFF, JOHN.
Masonic Sons of Columbus, New York

MAYER, LEONARD.
Mayer & Company, New York

MASSIE, ARTHUR M.
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JAMES RICHARDSON & SONS

ESTABLISHED 1867

EXECUTIVE OFFICES

WINNIPEG

OFFICES FROM MONTREAL TO VICTORIA

Continued on page 80

Mills, Spence & Co. Inc.

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Milsner, Spence & Co.

Limited

Our investment services in all fields are available to institutions and dealers at our New York and Chicago offices which have direct private wire connections to offices in fifteen principal Canadian cities and London, England.

These facilities enable us to execute orders on all Stock Exchanges in Canada or at net prices in United States funds if desired.

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O'Brien, L. K., & Co.

Established 1867

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stock the opportunity to exchange each stock for 50-year, 6% income debentures. This exchange offer is on the basis of $1.50 par value of bonds for each share of preferred stock, par $10.

Additional rail financing in public markets was represented by Philadelphia Plan company trust offerings. These aggregated approximately $150 million since the beginning of the year.

Summarizing, your Committee wishes to say that although this past year has been an exceedingly difficult one for all those identified with the railroad industry, it nevertheless has also been rewarding. Your Committee feels a great deal of progress and understanding of what has been a perennial problem stands a better chance today of being willingly solved than at any time in the last several decades.

Looking ahead, the future of the rails looks brighter. Business is recovering and probably will get material better before many months have gone by. Increased traffic should increase earnings in the immediate future. Operating economies from the adoption of technological advances should further increase earnings. Then we still have consolidations and coordination of facilities that will substantially increase earnings, if the savings therefrom are permitted to be retained. Obviously the chances of retention are excellent, so long as the rate of return on property investment remains at the low level of recent years.

Respectfully submitted,

RAILROAD SECURITIES COMMITTEE

Alfred J. Ross, Chairman
Dick & Merrie-Smith, New York

Charles L. Bergmann
H. W. Presba, Chicago, New York

James H. Carsson
Salomon Brothers, New York

Gustave L. Levy
Goldman, Sachs & Co., New York

Wendell Ross
W. E. Hutton & Co., New York

James L. Sheehan
Dick & Merrie-Smith, New York

Eugene Treuhold
L. F. Rothschild & Co., New York

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The Commercial and Financial Chronicle... Thursday, December 18, 1936

Continued from page 36

Report IBA Canadian Committee

not generally been net buyers of their own Government long-term bonds since shortly after the Second World War. This has been a source of increasing concern to both Governments. Reflecting this concern, the Bank of Canada last July held a conference of dealers and bankers of Ottawa and announced a plan to increase the term of our outstanding debt. New issues were offered to provide for the conversion of approximately $88 billion, or more than 40% of Canada's national debt.

All holders of the Victory Loan Bonds issued during the Second World War were free either to convert their bonds, sell them in the open market, or retain them. Because of cash bonuses offered by the Government for conversion, these Victory Loan issues advanced in price from 2½ to 5½ percent overnight. Not only was there a cash bonus incentive to convert bonds, but investors could increase the interest return on their investments from 3 to as high as 4½%.

99.4% of the Victory Bonds available for conversion were converted. The average term of the bonds converted was extended from around four years to nearly 14 years. This had the effect of extending the average term of Canada's total national debt from about 5½ years to about 10 years. The outstanding success of the operation is a reflection of the attractive terms which were offered to holders and of the organized sales efforts of the investment dealers and banks. I would like to add here that the dealers and banks received a commission on their sales and were also rewarded for special services.

Although some dislocation of our high-grade bond market resulted as an aftereffect, the operation can be clasped as most successful.

Commonwealth Conference

Another important Canadian event this year was the two-week Commonwealth Economic Trade Conference held in Montreal. The conference reaffirmed the common objective of freer trade and payments. All agreed to concentrate on anti-dumping legislation where it was charged that dumping or subsidizations were used in the economy of other Commonwealth countries. The importance of the need not to place obstacles in the way of the expanse of manufactured goods of underdeveloped countries was recognized.

It was agreed to continue studies of ways and means to mobilize the resources of the Commonwealth countries and consideration, was given to the possibility of establishing a new Commonwealth Financial Institution. It was announced that existing Trade Agreements between several of the Commonwealth countries would be reviewed. The value of the system of preferential tariffs from the Commonwealth viewpoint was reaffirmed.

Particular Problems

Recognition of some of Canada's particular problems will create a better understanding of Canada's economic and foreign policies. It has been often said, Canada is a vast country, her 10 Provinces extending over almost 3,000 miles from the Atlantic to the Pacific. Over the course of the last century, economic development across the country has been by no means uniform. Some large areas of our vast country enjoy a higher standard of living than others.

Our new Government, as part of its national policy, would like to improve the lot of those who dwell in the less prosperous parts of the country. This program may involve subsidies in various forms to assist industry where it is needed, to bolster farm prices, and to equalize transportation costs. Subsidies, as we all know, carry with them certain disadvantages. However, with the difference in provincial economic prospects, Canada can reallocate that measures to help equalize opportunity within her part of Canada's internal way of life far into the future. Because of climatic conditions, her large construction industry, and--because Canada is a major agricultural country, seasonal variations in employment are bound to be greater than in many other countries. Special governmental measures are necessary to carry the flagging supply of labor through our winter season. A special seasonal Federal Public Works program, which will provide munificence in aid of program, will be available this winter. The seasonality of labor demand is one factor that makes it necessary for Canada to plan, carefully, her Immigration policies. We still can use more immigrants of the right sort, but there is a limit to the...
rate at which we can absorb newcomers.

Impact of U. S. A.

Canadian derive many advantages from living side-by-side with a very prosperous neighbor, but our industries are under a competitive disadvantage in many instances owing to the larger markets enjoyed by their American counterparts. To put this problem in some perspective, I will mention that Canada's economy overall is approximately one-tenth the size of that of the United States in terms of G. N. P. Most of you know its population is about one-tenth that of the United States. We trust that you can readily understand why it is necessary to have some protection for our industries and why we have anti-dumping legislation.

When metal prices and demand are high, lines are of course good, but in the mining regions and the re-areas it is true when substantial price recessions occur, as has happened in the last two years. The purchase of stock-piling by your Government and the resale from stock-piling can materially affect the profits of our mines because of the changes in price which ensue. Changes in policy with respect to metals in the United States markets can vitally influence Canadian income from her mines, and perhaps of even greater importance, the impact is concentrated in particular areas.

need oil and gas markets

Another Canadian difficulty which is receiving a good deal of attention at the present time is that of finding reliable and larger markets for oil and natural gas. Great strides have been made in this field. We have both oil and gas pipelines across the greater part of our country, but much has yet to be done before adequate outlets for these products can be found. Some relief may be expected within the next few years if more of our oil and gas could find its way to United States markets.

We depend on the United States as our best market for both raw and manufactured products but we would like to see the trade gap close to more reasonable proportions. In 1968 and 1967 Canadian imports from your country averaged almost one and a half times our exports to the United States market and the combined amount of this trade was equal to about 22% of the value of the Canadian Gross National Product. These the some of the problems Canadians live with but we are confident that most of them will be solved.

In closing I would like to make two comments. First, let us not forget the 1957-58 recession which we now seem to be coming out of somewhat tailing off, will be looked back upon as nothing more than a breather, that enabled both of our countries to go on to greater prosperity. It looks that way at the present time. Second, with mutual respect, and in more ways than is generally realized, what is good for Canada is good for the United States.

Respectfully submitted,

CANADIAN COMMITTEE
Arnold H. Mann, Chairman
Mills, Spence & Co. Limited, Toronto
Frederick B. Ashplant, Vice-Chairman
F. B. Ashplant & Co., New York
Eric S. Morne, Vice-Chairman
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Secretary-Treasurer
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Ralph D. Baker
James Richardson & Sons, Winnipeg
D. K. Baldwin
Neshitt, Thompson and Company, Limited, Montreal
André S. Beaubien
L. G. Beaubien & Co. Limited, Montreal
William K. Collier
Collier, Norris & Quiglan Limited, Montreal

Private and Public Investment in Canada
1937 and Estimates for 1938

<table>
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<th>Capital Expenditures</th>
<th>1937</th>
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<td>Business Capital (excluding housing)</td>
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<td>Forest and mineral products</td>
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<td>Food and beverages</td>
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<td>Trade, finance and commercial services</td>
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<td>Transportation, storage and communication</td>
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<td>Sub-total</td>
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<td>Total capital expenditures</td>
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<tr>
<td>Total capital expenditures</td>
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<td>$6,792,111,111</td>
</tr>
</tbody>
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Source: Department of Trade and Commerce, Ottawa.

L. G. BEAUBIEN CO.
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Wood, Gundy & Co., Inc., New York

Peter Kilburn
Greenfieldes & Co Inc. Montreal

George B. McDonald
Dominion Securities Corporation, New York

Boston Inv. Club
Election of New Officers

BOSTON, Mass. — Eugene B. White of Hornblower & Weeks was elected President of the Boston Investment Club at the annual meeting on Dec. 9 at the Harvard Club.

Guest speaker at the meeting was Robert C. Cutler, Chairman of the Old Colony Trust Co., and former special assistant to President Eisenhower for national security affairs.

Other officers elected for the ensuing year were Richard E. Murray of May & Cannon, Treasurer; George L. Johnstone, Goldman, Sachs, Secretary; and Richard F. Brown of Tucker Anthony & R. L. Day, Publicity Chairman.

Lowell Warren and Neil S. Atkinson were re-elected to a year on the Executive Committee.

L. F. Rothschild & Co. To Admit Partners

L. F. Rothschild & Co., 129 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Richard H. Baer and Chester W. Viale to partnership.

Koerner, Gordon & Co. To Be Formed in N. Y.

Koerner, Gordon & Co., members of the New York Stock Exchange, will be formed as of Jan. 1 with offices at 120 Broadway, New York City. Partners will be Emanuel Koerner, Barson J. Gordon, members of the Exchange, John R. Atwell, and Prentis Kulman. Mr. Koerner is a partner of Koerner & Company, which will be dissolved Dec. 31.

York Securities Formed

York Securities, Inc., has been formed with offices at 50 Wall Street, New York City, to engage in a securities business. Charles F. Herbert is a principal of the firm.

Jesup & Lamont Partners

Jesup & Lamont, 23 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Laurence E. Johnson and Alexander M. Laughlin to partnership.
This is the spot where the incoming President has his captive audience at a decided disadvantage for the first—maybe the only time. I despair of being able to present anything novel to you. In our profession we are headed a thorough chock full of problems and statistics. Nothing escapes our notice. Probably the only happy memory of recent years for which we were totally unprepared was when Russia declared war on Finland.

Perhaps, however, some of us remember that famous horse-play—when asked how was he doing—replied, "rotten. I am the victim of too much information." I aspire to clear the atmosphere a bit. What I am about to say is predicated on my belief that problems differ—some are basic, others are not. I would like to concern our entire citizenry, others to individuals and their individual groups; some are difficult, others only appear so. Those of you who have held a judgment—basically significant to all, and soluble.

I keep with what I know to be your hopes. I shall strive for the truth and clarity. You may conclude I have failed.

Three Domestic Problems

Three domestic problems stand out. First, and foremost, that all other tasks fade into relative insignificance, is the prevention of a shooting war. Without peace we have nothing. Modern destructive devices—their ferocity intensifying each day—make the alternative too hideous to look down on.

Secondly, our economic development—our ability to produce new things—old things in larger and larger volume—is being challenged by a cold, calculated manner by a zealous Soviet Union. Russia is marshalling her vast resources and her newly found scientific know-how to assure herself a place in world markets. Thirdly, our own population is growing dramatically. The charts point in only one direction: Secondly, 800,000,000 persons will be served with a surfeit of ambition to a higher and higher standard of living. The economic denominators in these problems are people and money. People working with and for money. The cost of peace in terms of man-hours and money is almost inestimable.

To match and beat Russia in the cold war—industry must expand and improve at rates heretofore unwitnessed. The long-term growth of the world economy and the highest intellectual level of human direction.

The need of money to furnish the means to provide the homes—the employment opportunities —the rewards for endeavor—to be sought by young adults in the years immediately ahead could be overwhelming.

The people are and will be available, but where does the money come from? Certainly not from the government. If the government has no money except that produced by the people. The money comes from the people who have earned it and paid taxes—what have saved it and invested. The only way for people to get more money is to put savings to work to beget money.

Money must be allowed to work for the people.

Far From "Home Plate" And here we find ourselves far from home plate.

The creative forces of our economy are being frustrated by unwieldy legislation and regulatory measures to the point that our ability to provide even the minimum capital requirements of these formidable problems is seriously threatened.

When I say creative forces I am not referring to the few who comprise industrial management. The creative forces are farmers—labour—management—research—science and investors—all hard at work toward common objectives. We are all in this maelstrom together and we are fighting for survival in the most literal sense of the word.

It is probable the race in the nice art of destruction will remain sufficiently even that neither side will dare to off the other—This leaves the economic front as the battleground. Russia has openly declared—"We will win over the United States to the front of peaceful production. We are determined to do this whatever the cost—whatever the lastingly."
Volume 188 Number 5004 . . . The Commercial and Financial Chronicle

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Toronto Stock Exchange

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Whitby, Ont.: 284 Talbot Street
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Provincial and Municipal Debentures
Corporate Bonds and Shares

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In the report, Chairman Shepard remarked as follows:

First: The education of our own members, and
Second: The education of the general public.

A most active activity of the first general classification is the Institute of Investment Banking sponsored by industrial firms in cooperation with the Wharton School of the University of Pennsylvania. Registrations last Spring at the Eighth Annual Session of this Excessive Development Program were again held at the Toronto venue, with 264 registrants in attendance.

An innovation announced at the 1988 Session was the request for the submission of an essay on some subject covered in one of the sessions during the week. These essays were read by arrangement with the Wharton faculty.

The winning papers for each of the above were reproduced and are available at the Registration Desk. These selections—far from it. Wharton School selected eight top paper for the competition and submitted these to Erwin Bohmehr, our Educational Director, and to the

Continued on page 79

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CANADA BUILDING, WINDSOR, ONTARIO

THE PORTAGE AVENUE, WINNIPEG, MANITOBA

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Continued on page 79

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CANADA BUILDING, WINDSOR, ONTARIO

THE PORTAGE AVENUE, WINNIPEG, MANITOBA
Continued from page 77

The Investment Bankers Association of America Holds
47th Annual Convention

The secret of achieving wealth is dramatically portrayed in a new motion picture "The Richest Man in Babylon," sponsored by the Investment Bankers Association of America, and shown at the 47th Annual Convention of the association.

The film, a project of the Education Committee of the IBA, is available for showing by member organizations.

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The Investment Bankers Association of America Holds 47th Annual Convention

The Investment bankers association of America is holding its 47th annual convention, which is focused on economic and financial topics. The convention is scheduled to take place at the Sheraton Baltimore Washington Hotel, which is located near the Baltimore-Washington International Airport. The convention will provide a platform for professionals in the investment banking industry to discuss the latest trends and issues in the field.

The event will feature keynote speeches from industry leaders, panel discussions on various topics, and networking opportunities for attendees. The convention is expected to attract over 500 participants from around the world.

The convention will cover a range of topics, including regulatory changes, market trends, and innovative strategies in investment banking. Attendees will have the opportunity to learn from leading experts in the field and network with their peers.

The convention is open to all professionals in the investment banking industry, including bankers, analysts, and regulatory professionals. It provides a valuable opportunity for networking and learning from industry leaders.

The convention will also feature an exhibit hall with over 150 exhibitors showcasing their products and services. Attendees will have the opportunity to explore the exhibit hall and learn more about the latest developments in the industry.

Overall, the 47th Annual Convention of the Investment Bankers Association of America is expected to be a valuable event for professionals in the investment banking industry.
The Business Outlook for 1959

is happening to inventories. I have already pointed out that production fell by $20 billion from the third quarter of 1957 to the first quarter of 1958; the last line of the table shows that during the same period sales fell by only $8 billion. In fact, if you compare the figures for the first quarter of 1958 with the first quarter of 1957, you will see that total sales at the bottom of the recession were just as high as they were in the comparable quarter of the previous year. This shows you how well most of the economy held up in the face of a really drastic inventory adjustment.

It seems to me that businessmen can learn an important lesson from these figures. The lesson is that it is business policy itself which is a prime cause of the periodic recessions which we have experienced in the postwar period. If businessmen will be a little less exuberant during booms in building up inventories and expanding plant, and if they will resist the emotional cutbacks to which they seem prone as soon as a minor business adjustment appears, we are likely to have an increasingly stable, and profitable, economy in the future.

Now let's turn to the recovery period. The end of the recession was reached in April. Gross national product rose a small amount in the second quarter and jumped upward a large amount in the third quarter. National output in the third quarter—at a $439 billion rate—approximately equaled the average rate of output during the full year 1957. Looking within the total at the individual segments, you will see that it was not an increase in business spending which first brought about the upturn. Inventory liquidation did slow down here, but capital spending continued to decline. It was primarily a decline in the consumption spending which brought us out of the recession. Consumer purchases rose by over $5 billion, to reach an all-time record rate of $291.5 billion in the third quarter. State and Government purchases continued steadily upward all through the recession, reaching a new record in each successive quarter.

Paradoxical Decline in Federal Spending

Federal Government purchases also helped, but here I think the figures will surprise you. If you will look at Federal Government defense spending (shown in brackets) you will see that this type of spending was actually declining at the bottom of the recession, and in the third quarter of this year was still below the comparable quarter of 1957. It is unfortunate that, during a period when we had idle plant and idle labor, we did not make greater use of the opportunity to secure badly needed defense goods at virtually no real cost to the economy. I do not know the reason for the lag in defense output, but the figures suggest a very poor state of military forward planning.

My estimate of national output in the fourth quarter of this year shows an even larger increase than in the third quarter. All segments of the gross national product are now rising. In some areas, purchasing power is ahead of last year's because the level of consumer goods and foreign trade, the increase is very small. But in others, particularly major industries such as housing and capital goods, the increase is much larger. Housing is booming at the highest level since the year 1957. Government expenditures are continuing their increase at an almost unprecedented rate. Consumer purchases are likely to sport ahead a full $7 billion higher and there is a moderate trend back to durable goods. Federal Government spending is beginning to boom in earnest. It is an unhappy commentary on the economy that with government machinery gets underway that the Government purchases will probably rise by a larger amount in the fourth quarter of the year than they did in three quarters from October, 1957 through June, 1958.

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tion spending until the last half of next year.

Business spending on durable equipment, however, is likely to move ahead steadily from its present

There is of course a necessary connection between business con-

struction expenditures and business expenditures on machinery and other durable equipment. The emphasis in the coming year will be more on new plant and equipment and replacement of equipment and less on expansion of plant. Total plant and equipment expenditures during 1959 are likely to exceed the 1958 figure by about $2 billion.

But new Inventory Purchases. The increase in business spending on inventories is also likely to be moderate. As sales grow, there is of course a need for increases in inven-

ories. The need at present is principally at the retail level. The ratio between retail inventories and sales is today lower than at any time in the past eight years. Although it is of course desirable to reduce costs by holding inven-

tory at as low a level as possible, retailers are beginning to realize that profits can be hurt just as badly through lost sales as through too-high inventory levels. At the manufacturing level, stocks of raw material are likely to rise, but inventories of finished products are adequate in most lines so that total manufacturing inventories will show only a small in-

crease. Principally because of re-

turn to stock-building by automo-

bile manufacturers inventories will probably rise in 1959 by about $5.5 billion.

Although this increase in inventories is quite small, the effect on production compared to the 1958 situation will be large. In 1958, production was held $5 billion below sales in order to liquidate inventories; in 1959, production will exceed sales by about $2.5 billion in order to build inventories. It is therefore clear that the inventory turnaround alone will be enough to produce in 1959 the 1958 level by $7.5 billion.

Housing Expenditures. A third segment of the economy which will show a moderate increase in 1959 is residential construction. Housing started in 1958 at a very low level partly because of the recession and partly because of an unusually low rate of population increase.

After the passage of the Emergency Housing Act and the building in the capital market, however, housing starts began to pick up rapidly, with the rate of new house starts rising every single month since March. They are now running at an annual rate in excess of 1,200,000, the highest level of home construction since 1955.

In thinking about the outlook for housing in 1959, it must be remembered that the residential construction in the postwar period has been characterized by that rare economic species known as a "count-

tercyclical industry." That is, housing starts tend to decline during a business boom and rise during a business recession. Therefore, one of the problems of the postwar recession has been partly attributable to the excel-

lent showing of residential con-

struction in the face of otherwise depressed business conditions.

In the recession of 1949, the good performance of this industry was due primarily to the intensity of the backlog of unfilled de-

mand built up in the long period 1935-49. In the two more recent business dips, the explanation lies almost entirely in the strange workings of government imposed interest rate maximums on mort-

gage loans. The effect with the effect of these maximums is to increase the mortgage rate above the present level and to encourage new mortgages in order to keep the rate within the maximum. The effect is to depress the mortgage market and to encourage sales of existing homes. The result is a further tightening in the capital market next year.

The tightening in the supply of mortgage funds next year will unquestionably exacerbate the already high rate of straining influence on residential construction. The results last month are also a factor to be considered, because they seem to me that the real estate market will not make the same headway next year that it did this past year. The average of the last four months is that real estate for sale at the end of the month 1958 was 1,200,000 and the average of the last four months of 1959 was 2,000,000. The net result of all these fac-

ors is that total personal income in 1959 is likely to be up by about $50 billion.

Although without heavy

counts were removed, housing employment will increase by about 1,600,000, which will be sufficient to absorb the unexpected growth of the labor force and to reduce unemployment to a normal level by the second half of the year. Wage rates will continue to rise, although there is hope that increases will be related more closely to the productivity of workers in the shorter run. The average in the average week will continue to rise, but the average will continue to rise, although there is hope that increases will be related more closely to the productivity of workers in the shorter run. The average in the average week will continue to rise, although there is hope that increases will be related more closely to the productivity of workers in the shorter run. The average in the average week will continue to rise, although there is hope that increases will be related more closely to the productivity of workers in the shorter run. The average in the average week will continue to rise, although there is hope that increases will be related more closely to the productivity of workers in the shorter run. The average in the average week will continue to rise, although there is hope that increases will be related more closely to the productivity of workers in the shorter run. The average in the average week will continue to rise, although there is hope that increases will be related more closely to the productivity of workers in the shorter run. The average in the average week will continue to rise, although there is hope that increases will be related more closely to the productivity of workers in the shorter run. The average in the average week will continue to rise, although there is hope that increases will be related more closely to the productivity of workers in the shorter run.

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In a Technical Business

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The outlook for 1958 is therefore for a prosperous year, with output increasing substantially and prices relatively stable during the first six months. Unemployment will gradually be reduced to normal and industry will move to a more efficient utilization of existing capacity. Toward the end of the year, as the slack in the economy is taken up, we shall likely be reminded once again that with all the progress we are making in business techniques and economic understanding we still have not come up with a workable solution for one of our most serious problems—the chronic excess of the purchasing power of the dollar.

1959: The year, as we have seen, has been a period of vigorous activity. The outlook for 1959 is that business will continue to grow at a steady pace, with inflation at a moderate level, and unemployment declining further.

Important Developments

Several things important to the industry are: First, the Federal Reserve Board, in its December, 1953, Annual Report, commented on the effect on unemployment of policy measures during the period under consideration. One of these was the acquisition of the Federal Reserve Banks in 1958. This company was an instrument maker whose efforts were directed toward making gravity meters for oil exploration. A new development was the use of higher frequency, and time has shown that this was a good acquisition.

Figure 4

The second important point not indicated by the chart was that in 1952 the management had decided to engage in the semiconductor business and secured a license to operate under patents of Western Electric Co. This was a major decision about which we shall have more to say later.

Third, the company balance sheet had been much improved and its capital structure better balanced by means of a long-term loan from the Equitable Life Assurance Society.

Fourth, through a merger with Intertropical Rubber Co. and a listing on the New York Stock Exchange, access to public financing was obtained.

Figure 4

The management effort had for a year been consolidated into a central group and its contributions were beginning to make themselves felt as a very real plus in the picture.

Overall this chart demonstrates that business was good and showing steady and impressive development. Further, our management team had developed some real and justified self-confidence. They worked hard, they worked well together, and they were good.

This chart, however, begins to indicate what the potential of Texas Instruments might be. With the advent of the computer, the manufacturing business grew very rapidly, as can be seen from the sharp upward sales curve depicted. Sales and income were almost quadrupled over 1949—reaching $27,000,000 for the former and $1,270,000 for the latter, and the latter was 10% more than that in net income. Employee level, however, continued to be at the present constant. The drop in sales volume was accounted for by the need for the Korean fighting and our failure adequately to anticipate the sharpness and severity of cutbacks and cancellations in military work which quickly followed.

Decentralization

There was something else in the picture, too. It was decided to decentralize our organization through creation of product and central staff divisions, one of the better decisions our company management has made. Though it took some time to divert the organization by a major change of this kind, our effort is now being rewarded.

The three major units of the company are clearly shown here: The Apparatus division manufacturing all our military equipment, the Semiconductor Products division utilizing what was formerly a group in our Engineering department as a base, and the Exploration division represented by GSI.

The company’s activities brought to date are shown on Figure 5. Sales for 1958 were estimated at slightly over $90 million, the number of employees has grown to approximately 7,000, and profits are estimated at $5,210,000 (or approximately $1.90 per share) instead of the $4,722,633 indicated on these charts prepared earlier in the year. It can be seen that the sales of 1957 were more than doubled those of 1955, and the sales of 1958 will nearly double those of 1956.

Let me review some of the significant and critical times in the 17-year record portrayed on Figures 1-4 and some management decisions that were basic in achieving the kind of growth pattern the company enjoys today.

These were some of the highlights:

1946: The decision to engage in manufacturing; a true diversification.

1947-49: The increase in functionalization; a beginning of much improved management and controls. In the fall of 1948 the company employed its first full-time salesman, who was later to develop its Marketing Division. It is worthy of note that until this time all company sales were made by management people who normally filled other posts.

1956-53: Increased emphasis on manufacturing and engineering; 1950 first real personnel mechanization put in operation; growth during Korean War. TI becomes

Figure 4

Full-page color photograph credited to A. K. Gellert

34 (2060)

The Commercial and Financial Chronicle . . . Thursday, December 18, 1958
the parent company; we decide to become a "good, big company."

1952: Decision to manufacture semiconductors.


1954: Decentralization through divisionalization by product—a most important basic step to make future rapid growth possible. This was the year when the sales department became a Marketing Department. Growth had brought a real boom—now the company could afford staff assistance it had long needed. Introduction of silicon transistor and low-priced germanium transistor.

1955-56: Consolidation of position of each division; staffs will continue to include men of top quality in each key post. A real lesson was learned here: now we know that each new division must be as completely and equally staffed as the parent from which it descended.

1956: Addition of Mann Optical, now a part of the Apparatus division.


Need for Major Decisions

I think the foregoing has shown that a diversified, growing technical business, such as is illustrated in Fig. 6, requires that many major decisions be made, sometimes a series of them in rapid succession. If one or more are incorrect or inadequate, the company's growth pattern may be permanently inhibited, or the company's removal may shrink in size or go broke. In measuring the difficulty of such decision-making, the need to garner ample facts to be presented in simple, orderly form, becomes obvious. Because it may not be equally clear that the manager of a rapidly growing, complex technical business is faced each year with a multiplication of difficulties in this connection, I should like to review a little later one or two of the decisions to which I previously referred and demonstrate how tenuous the line of reasoning was which led to ultimate decisions. I should like to emphasize, too, the sketchy nature of the facts then available which formed part of the basis for those decisions.

Now, may I change the subject, somewhat abruptly, I admit, and talk for a little while about planning. In due course, I shall attempt to relate this to what has proceeded.

The planning process of Texas Instruments is viewed not only as a device for making an orderly pattern for future progress, but as a management training tool of the highest order. Each year final top-level planning is the serious concern of the 20 or 30 managers who control the destinies of the corporation within the policy limits set by the Board of Directors. At a convenient time between early September and mid-November, an overall plan for the ensuing five years is put together by these men. Their joint sessions cover about a week of intensive effort. Then, in late November or early December, a detailed one-year plan is constructed to fit within the broad, general scope of the longer-range plan. Laid out as a monthly-by-month itemization, the things to be accomplished by all company divisions, it is kept up-to-date by quarterly revisions and extended for an additional three months at each review date. These plans include the strategy and tactics by which we hope to gain the objectives we seek. Only gradually am I any ground relinquished on any of them.

I have observed that many analysts, in referring to the planning process, consider it to be largely a matter of budget. In our company at least, this is not so. It is true that we plan both capital and operating budgets in great detail for the forthcoming periods, but our studies encompass a great deal more than these.

150 New Employees Monthly

Personnel requirements, for example, not only are spelled out month-by-month, but are compiled in very minute detail and given a precise desired schedule for the quantities, qualities, and capabilities of people to be hired each month. How jobs are to be accomplished by each division, it is possible to take any one group (such as Central Re-
Problems of Management

In a Technical Business

search) and determine how many scientists, technicians, and the like, of what grade or kind, are to be hired, at what times during the year, and at what approximate rates. This information will have a great deal to do with the kind of operating budgets constructed and will determine, in part at least, what the capital requirements will be. An average of 150 new employees were added each month of 1954. Plans provided not only for hiring these people, but for provision of the space and tools for their work, and for training in their respective endeavors.

Going back one additional step, the fields of research activity, for example, must be determined in advance of any of the foregoing requirements. Potential projects obviously must have been selected on which the planning organizations had fixed. New products or services ultimately might evolve. Some sort of prediction was necessary as to whether the projects could be brought to fruition through the medium of physics, chemistry, mathematics, or some combination of the other sciences. The kind and strength of personnel hired naturally would be determined by the best estimates of the planners as to the difficulty of the problem and probable successful of the methods of attack.

Back of the decision to engage in given projects lies the basic concept leading into the projected research, the one which determines the boundaries within which work is to be done. For instance, the title of our Semiconductor, Components division clearly indicates that it desires to be a supplier to other manufacturers rather than one selling consumer goods to the public.

Having taken a sketchy look at our planning process and having worked backwards from a personnel budget requirement through the foregone, we find that the budget in a typical division such as Central Research, let us now turn to one of the bits of information available to a planning division.

Two Vital Products

In doing this I intend to pick two Semiconductor devices products to illustrate briefly some of the methods of attack and division and through them to show that projects taken in 1954 and a production of these two products was essential to the subsequent success of the division. They provided the company with a lead in the semiconductor field that has been retained or widened ever since. You will see from the nature of the problems which became as managers that the decisions by which leadership was attained were not to lightly taken.

A typical price decline curve for the germanium transistor products of the Semiconductor, Components division is shown in Figure 7. This curve encompasses only those products used in the entertainment industry, that is, radio and television, and represents an average of all the products supplied to that industry.

It is presented here to show why the maturity of a product line affects its price and, through the flattening of the curve, permits some reasonable prediction of the ultimate price level of a line of merchandise. In 1954, when we first supplied the low-cost transistors to the radio industry which made mass production of portable radios possible, such a curve was drawn by our planners. It was based on their best estimates of its ultimate stabilization level when mass markets of this kind and similar businesses were attained. The original price estimates made by our early marketing prices, I might add, would not depart too far from those shown here today. If you will plot this curve projected for several years ahead you would show a flattening or stabilization of the price level at 50 cents per unit.

Reasoned. If you will, that our first transistor production of any size or importance came in the fall of 1954. Up to the time of the low-priced entertainment transistor radios, the semiconductor industry was the most prolific source of orders. Many of our products were sold to the radio industry at prices running as high as $10 per unit. To visualize transistors to be sold to manufacturers at $2.50 each took the kind of thinking that Henry Ford was credited with, and early automobile. You may remember that Henry Ford calculated his costs of production and then sold his car at apparent cost. He made his profit by achieving reduction of costs after he had created the market through pricing by a price lower than any envisioned before. In retrospect this situation may not have seemed very complex or difficult. However, let me point out that in our transistor example we are talking about a curve that represents the average of a number of products. In the spring of 1954 when we first had a go at this problem, there were no markets for the products. Portable transistor radios had not yet been designed except on a beahboard basis in a few laboratories. Since there was no mass market, the production facilities for these markets did not exist. Therefore, better costs of producing other products would have been calculated for a given level of production. germanium and its properties were not thoroughly understood, and though we have come a long way, knowledge of this material and how to handle it in production is still far from complete today.

Let’s go over, now, some of the facts which were known, and, more particularly, some of the things which were not known. It was thought that a portable transistor radio would have a limited market as a novelty, and therefore carry a premium price that would make it possible to sell transistors on the manufacturing level for about $2.50 each. It was necessary to assume that they could be produced on a no worse than break-even or small-loss basis for this amount and that processes could be designed to accomplish this. In addition, it was necessary to postulate that a quality could be achieved in certain of the items thus to be provided which would be superior to any heretofore possible except on a small scale laboratory basis. If the engineering and research problems inherent in developing the processes for manufacture could be solved satisfactorily; and if, indeed, we were in right at the present potential market, we might have been able to obtain a fair share of this market, then it might be possible to begin mass production of transistors a year or two sooner and others would be required for the natural evolution of these markets.

With this kind of background...
The Silicon Story
Leaving germanium products for a moment, let's talk about silicon. Silicon in almost incredibly pure form (only a few parts per million of impurities can be tolerated in transistor manufacture) has many advantages in performance over germanium for military and many industrial transistor applications. The principal of these is the ability to withstand high temperatures without losing its valuable transistor characteristics; its germanium is often called “hot metal” or “cold metal.” These conditions are for this and other reasons silicon products can be “commanded” to “hot” markets, which often need very high prices because they possess characteristics extremely difficult to produce.

The price decline curve for silicon transistors is presented in Figure 2. To make it meaningful, this is expressed in percentages of the 1954 unit price rather than in dollars. Roughly, the range of product prices encompassed on this curve is from about $3.50 to $90. The current average silicon transistor price is about $14. All of these figures are in terms of the current 1958 levels. Limited production of silicon transistors was announced in May, 1954. It may be seen that the price decline curve is essentially of the same nature as that of germanium although the slope has become more gentle as might be expected for a product more difficult to manufacture. Likewise, a great many new products have been added in a steady stream to the small original group offered in 1954. This, too, has contributed to the somewhat slower decline of prices, since the new products often for special purposes, carried very high prices because they possessed characteristics extremely difficult to produce.

Now, for a moment, let us place ourselves in the position of the great buying and decision-making groups. In early and mid-1954 when they could see the possibilities and possibilities for success in marketing these entertainment germanium transistors whose price curves we have just examined. They viewed the situation that there was a bandwagon effect and brought to market promptly.

Charting the Unknown
Remember, they were about to judge by the course in the mass marketing of new products. Just what they believed would make their sales possible, although costs could not be easily estimated because manufacturing processes had not yet been designed. It was not known what those processes would do and would not be before the end of assembly lines, or whether the percentage of usable products would be low. It was thought that only a percentage of the market could be captured by this new product, for the silicon market was still very small.

It seems reasonable, however, that among those scrambling for novelty would be the manufacturers who got there firstest with the mostest” would be in the best position. It could not be foretold how long the market would endure if it were developed over a short initial period. How well would the public like the product? How much of a premium would it pay for portability and novelty? How well would the manufacturers who supplied the consumer items like to work with them? Could they make enough money to entice them to continue beyond the novelty stage? How fast would competition among manufacturers arise? And, how much of the ultimate market could our company retain? These were all a few of the problems that faced the group whose ultimate decision was to go ahead and “devil take the hindmost.”

The Story
Now, let’s look at the top management. The top management decided to enter an unknown market with products not fully understood of course, or in their use. It undertook to unknown customers for uses that the ultimate consumer did not yet dream of, nor did the equipment manufacturer understand even a more clear concept. It took the risk of pricing that product, estimating its price by the substantial outlay of capital, and, indeed, stated its entire future on the results.

If the effort succeeded, however, there would be gained more than capture of a single market for a few new products. The know-how gained in mass production of hundreds of thousands of units of a difficult new product into other products of similar nature, overhead could be reduced, and staffs in being would be ready to handle still larger orders if they could be secured. Competitors would have to develop comparable know-how and facilities out of capital; TI might be able to do it out of profits.

“Battle With Giants”
Now, let’s look at the past where trying to peer into the future. The top management decided to enter the transistor field. Already there were many companies that established in this industry, and they have shown how a market already being to attack problems as they arose. For many of the companies, the change in the transistor field was a relatively small one and would not have implications of major import from what they saw whether it was a complete failure or an outstanding success. In the battle with giants all the odds were against the newcomers.

The question here is the mass market was made by inducing a radio manufacturer to go ahead with TTI products. A second step ahead was the introduction of silicon transistors. These

In the field

...
Problems of Management
In a Technical Business

company well may rest in this field.
If I have told my story well enough, at this point you will know why I wanted to tell it. The technical difficulties; the intellectual difficulties; the deluge of questions; the implications—people; the agonizing burden of excellent important daily decisions; the complex and detailed questions of all-important timing, seldom clearly defined; the need to hire and train increasing numbers of new people; the need to change procedures; to find new markets; establish new divisions; meet competition; find money for working capital, to grow, grow, grow; and a hundred more were the hurdles to be surmounted. No one is prouder than I that our youngest could do it. If it were not so dangerous, I should like to tell you in detail about our plans for the next five years. Failing this, let me speculate on analogous problems of the managers of tomorrow based on what we have learned here.

Problems of Tomorrow

Decentralization of medium and large-size companies has been a great help to management in the past because it lets decision-making responsibility rise to the level of each right on the man who has to carry out the decision. But in a company with many divisions, the business of coordinating all the operations together into one coordinated whole is difficult. Where technologies are advanced and complex, on the top must have a good group of people managing the technologies so they may make intelligent decisions as to the lines of business to be continued, expanded or dropped. So, with the performance of the division managers in whom responsibility has been vested and, so for their own reasons, they may compete for the performance of these divisions against standards and against competition. We have seen how great the effect of only a few variables has been on the most modest operation up to now. If these areas are improved many-fold, as is to be expected in a company of large size, then it can be understood that the central control will become more difficult. Add further growth to the present size of large corporations and you have an almost frightening picture of the number of people, data, and machines which must be gathered, assembled, coordinated, and integrated into the lowest common denominator. These then must be geared to the future as a tentative marketing concept and tentative plans for submission to executives to decide whether these plans translate into a feasible and satisfactory reward possibilities. Will there be other means of control in the future? If so, what will they be and what tools can be found to assist in the handling of them?

Up to now management always found it the easiest to get information and find a method of coping with it. In a large corporation information may not be the ultimate answer, although at this time it seems to be working very well for most companies. It does seem clear that top management looks to staffs by an increasing extent in technical problems will be composed of extremely high-witted people if the companies are to succeed. The management focused on this subject makes such management to be able to envision technological opportunities ahead of the management.

Because of our very rapid technology, it is always planned in advance to affect new systems and services as rapidly as possible. It is a tremendous backlog of research and development engineering which has been translated into products. The new manager must be the one to foresee the opportunities for creating markets through the application of these advanced technologies. Indeed, he should be able to visualize a consumer's needs and desires long before the competition has them.

Aid of Automation

To aid this very able technical man and his staff there will be electronic data processing systems which may be applied to business problems—automation in business procedures as well as production processes. Computers as we know them today are intended to make progress in their respective fields. A very high percentage of those now in use are merely replacing other machines for the routine functions of accounting, handling payrolls, sorting and classifying, and other chores in which they may reduce errors and speed up production, but do not do anything fundamentally different from the work of earlier and simpler machines. Computers take a great deal of time to understand the operation of a modern computer, its potential capabilities and the areas in which it should be used.

Let's examine a few of the ways in which tomorrow's managers may simplify their lives by use of these machines. First, there are the batch-failed ast operations research, which, in simplified terms, may be considered to be a means of reducing a business problem in all its detail to a mathematical model amenable to analysis. Because the computer works so swiftly, one can tackle complex problems that previously could not be solved economically because of the time consumed. Linear programming, a form of operations research, provides the means for finding the optimum solution to many business problems from mathematical end.

Another phase of operations research is in data handling by application of statistical analysis to gross masses of data. Problems such as inventory control, for example, can be greatly simplified by this means. Let's examine for a moment what we hope we may be able to do with control of the 30,000 inventory items in our own Engineering Stockroom. We can then evaluate the results on a rule of thumb or general opinion basis, and determine that's all the data can be afforded in time or money. With a computer, however, this number of items can easily be controlled with daily, weekly, monthly, and annual statements, fired, of conditions. Print-outs could be had only when items were in trouble—in short or long supply, up against a long procurement or cycle, etc.—it is not clear that we can find desirable. In any event, the ideal control could be achieved to manage inventories on an item-by-item basis instead of in the mass. There have been no computers available for this purpose in the past, however, only computers for general business applications.

Better advanced planning through proper programming of an adequate computer is possible. By this I mean that a company can except to run through such a machine a series of sets of information representing hypothetical, expected business conditions over a period of seven years or longer, or in other words, over a period of seven years or longer. Such information, if fed in, the computer would give tentative results under each set of conditions.

For example, we could look at some of the more interesting statements over a period of years. Let's say each company of capture of various percentages of market, of desired percentages of profit, of estimated scrapped cost reduction, on the use of money at predetermined rates, etc. Having fed into the machine information representing the most optimistic, the most pessimistic, and the most probable occurrences in the business for the period ahead, then it should be much safer for a management reviewing the results of these alternatives to plot a course which anticipates most foreseeable hazards.

If this could be done for one's own business, then it would be much safer for the case of one's competitor. Why not, for example, use the better judgment at hand, make an estimate of what each major competitor in a given field might intend doing in the coming 5 years, and survey the interaction of such performance on one's own business? In the past such a task would have been Herri- culean, but tomorrow it will not be nearly so formidable. It will be, for example, possible to consider intelligent sorting of the facts and figures and conclusions are meaningful and which are not, and what actions to take as a result of these figures.

Financing Problems

If business managers are to engage in practices such as these, which would enable them to operate their business much more does not to us, then it can also be assumed that these same managers will view their financial problems, for example, with a good deal more sophistication than previously. No longer will it be necessary for such a manager to go to his banker, or an insurance company, for long-term financing without careful thought, but some knowledge of what he will want and need. The manager, with the idea that he will have a very good idea also of what form that financing will take, and what price he can afford to pay for it.

He won't be thinking in terms of a balance sheet and operating statement that are a month or two behind. He won't see that one of those statements that was cast yesterday and of one for tomorrow. He may ask for finan-
This is most easily achieved when understanding of how such financing will work. Thus, it seems to be the case that I have stirred up my own pot of the past by writing of the future today, and instead of presenting to you a neat bunch of problems all neatly tied together and solved, I leave you with one.

I believe the investment banking profession and financial people will have their own rapid strides to make technologically, and they will make them as they are needed. However, I likewise think that they will need to forge strong links to the businesses that finance and that these links should be technical people of their own who are competent to meet the technical manager on his own ground, discuss his problems with him there, educate him to the problems of the investment banker and work out solutions appropriate for both.

Investment Bankers Must Be Technically Trained

I believe all of this would be much better done if bankers had already been trained, during their years of education, in the operations of the clients’ business with their own computers and their own staffs. I should like to emphasize, however, that renting a computer to simulate the working of their own programs and operators is not enough to get the job done. Some of the investment bankers themselves must be technically trained and understand the inner workings of computers in the ways in which they can realize their true potential, or such effort would be fruitless. What I say implies a lot of education, most of it for young people to come, in the schools and colleges of the future. When manager and banker engage in a transaction, mutual understanding of interests brings the best results.

Although this week’s theme will be devoted to the sale of tax exempt and corporate bonds, the suggestions presented can apply as well to the distribution at retail of all classes of securities. The underlying principles that have made some men stand out as top-flight bond salesmen will work if applied to any phase of security salesmanship. Here goes then:

Planning Ahead in Preparation for the Offering of a “New Issue.”

First a study of the bond is undertaken to determine what clients and prospects might have an interest. For example, is the bond secured by revenues or is it a general obligation? Will it be rated, and if so, what rating should be expected? Will bonds be available in maturities attractive to certain accounts? What banks might be interested? What institutions? There are people who will not buy unrated securities, others that will do so. There are buyers for revenue bonds and others who will only consider general obligations. There are insurance companies and others that will buy only in large blocks and in maturities not less than 50,000 to 100,000. Does this “new issue” qualify on this or any of the other qualifying requirements? Is there any indication to investors that obviously are unaccustomed to consider you as an inefficient bond man, waste your customer’s time, and fool you, or offer the wrong bonds to right buyers.

Several days before the offering the bond, we are offering a list of prospective buyers whom they expect will be interested on the day of the new issue. They send preliminary circulars, sometimes with a personal note attached pointing to the outstanding features of the bond, that they will telephone the offering prices and the scale as soon as possible when the bonds are made available for reoffering to the public. If the issue is likely to have a strong appeal for certain buyers, they will even telephone several days in advance of the offering and mention they are sending a circular, and suggest that the prospective buyer might give it special study, and set forth a few highlights which they consider particularly strong. Then, when the offering comes to market, they will have their list in front of them, and addresses ready to go, and they are a better chance of selling more bonds for a very simple reason—they are offering them to the people who most likely will want to buy them.

They are not trying to catch a fleeting order from a haphazardly selected list of prospective buyers, nor are they going back to the same few old standbys who once in a while are in the market and have been keeping them going for many years in a piece-meal sort of way.

They know their bonds, and they sell better, because they know how to show their securities why they should buy now.

The bond man who knows his bonds has a story to tell. He puts some imagination into his sales presentation, a bit of art if you will. You won’t find that he will telephone again and again like this, “Good morning Mr. Thompson, this is McKinnon of First Securities, we are offering some Podunk Water Revenue 3½’s this morning, they are mighty good bonds, priced right from a 2.80 out to a 2.75 on the last maturities. We believe they are very attractive.

Instead his prospecting study has shown him that Podunk Water Revenues represent an obligation upon wisely managed water system in a very stable and growing community. In its general obligation debt represents one of the lowest cost and highest value of property of any city of its size and comparable growth in the state. The net water revenues securing the bonds have shown a steady increase in coverage for the past 10 years and despite the attendant expansion of the sys-
members, but there is no particular reason to expect the larger part of the party leaders thus suggested to be anathema to southern members in general.

The Democratic Program

The electorate would do well to give very careful study to this document with a view to determining in advance what the Democratic majority so enthusiastically voted into office this year really has in mind for the coming Congressional session. To say that it rings with New Deal ideology and New Deal proposals is to put it mildly. The often rather demagogic excoriation of the Administration and Republicans in general is, perhaps, to be expected, upon such an occasion; as is also the highly dubious employment of statistical techniques. But what does this highly influential group of party leaders believe that their party should do to save the country from the acts of an administration so vehemently denounced?

Well, the party which once ardently preached the doctrine that ours was a "mature democracy" in which no further growth of consequence was to be expected, is now much concerned with what it is able to convince itself is an almost catastrophic slow-down in the rate of growth of the economy under the Eisenhower Administration. Of course, there is not much support for any such notion—certainly no evidence of it in the figures cited to prove it—but real or imaginary it constitutes a basis for a far reaching program to speed up expansion in the years to come. "Government expenditures," they tell us, "keyed to our vital needs and resource capabilities, are in themselves a key factor in maximum economic growth."

A moment later it adds that government spending and purposes of government expenditure must be determined by wisely balancing needs and capability. It is of little importance whether a growing nation needs larger public as well as larger private expenditures, just as it costs more to support a family of five than it does a family of three.

Later paragraphs make it clear enough that the leaders of the Democratic party are in truth the type of spenders about which the President nit-picks. Take these sentences: "The Administration's attack to stop the Federal Government from assisting states by vocational education programs should be opposed. Education is materially important in the rural areas in which there are dramatic changes in emphasis. The army of young people must be provided with help and training to meet the challenge of these transitions in our rural economy."

A "Federal scholarship program to meet the truly great need facing the United States during the next ten years, as the number of student eligibles for colleges and universities is likely to increase, should be promptly established."

"We favor a program of Federal assistance to the states for school construction."

Again:

"The need is urgent for an enlarged program of hospital construction, and for loans to local comprehensive health insurance cooperatives. . . . There must be steady effort to increase the funds and resources available for a broad program of medical research and rehabilitation."

In the realm of social security (in behalf of which the Federal Government has already committed itself) that runs into the hundreds of billions) these increased benefits must, so we are told, be provided:

"Hospital care for 50 to 60 days per year, a limited amount of nursing service. Increased monthly social security and aid to families as a next step and another 10% in the next three or four years. And more of the same sort.

And Small Business, Too

"New sources of long-term credit and equity capital should be opened up for small business," too. Why labor the point unduly? Many more areas of increased spending are listed and urged. Agriculture, conservation, hydro-electric and atomic resource development, rural electrification, a re-emergence of housing, and airport development, are other fields which are attracting growing attention from the national government. And, for our part, we cannot but agree that when these men of this mind get to work in Washington next year other outlets for public funds will be, say, 10%. This group, this influential group in the Democratic party, are "spenders" incurable. We may well have additional reason to be thankful for the Byrds in the Senate, and for such men of influence as Rayburn in the House and Johnson in the Senate.

And there can be no doubt whatever that many, many members of the Democratic party are itching to discredit the Federal Reserve Board and to end forever the really quite moderate restrictive influence it has been exerting in behalf of financial sanity. The same, of course, is to be said of any part that the Administration has had in putting an end to the absurdity easy conditions in the money market and investment market of the country. This Democratic Advisory Council says in so many words, and it is common knowledge that a number of members of both houses of Congress have long wished to have a lick at the Reserve authorities and any sort of restrictive action anywhere, any time. The danger of inflation is dismissed with a foolish statement to the effect that the "main key to effective inflation control is sustained full employment."

The President and all moderate in Congress to whatever party they may belong have their work cut out for them this Winter.

With Montgomery, Scott

PHILADELPHIA, Pa. — Montgomery, Scott & Co., 129 South Broad Street, members of the New York Stock Exchange and leading exchanges, announce that Michael A. Cruize has become associated with their Philadelphia office as a registered representative.

Mr. Cruize is well known in financial circles for his talks on the securities markets, and has conducted classes in various parts of the city and suburbs on investment securities.

R. F. Lafferty Admits

Wallace J. Lafferty, Jr., on Delaware business, became a partner in R. F. Lafferty & Co., 19 Rector Street, New York, members of the New York Stock Exchange.

Opens Investment Office

MELBOURNE, Ill. — Ruth M. Cologe has again in a securities business. The firm has offices at 272 Northwest Eighteenth Avenue. Miss Cologe was formerly with Frank L. Edensfield & Co. and Francis L. du Pont & Co.

Donahue & White Opens

Donahue & White has been associated with offices in the Grade Central Terminal Building, New York City, to engage in securities business. Partners are Joseph W. Donahue and Douglas C. White. Mr. Donahue was formerly with Bache & Co. and King Merrill & Co.; Mr. White was with Granbery, Marsache & Co., First Investors Corp., and Fund Reinvest, Inc.

Stern & Kennedy Parties

On Jan. 1 Stanley J. Rodt will acquire a membership in the New York Stock Exchange and will be admitted to partnership in Stern & Kennedy, 28 Broad Street, New York City, members of the New York Stock Exchange.

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Public Utility Securities

By OWEN ELY

Connecticut Light & Power Co.

Connecticut Light & Power serves electricity and gas to an area representing about 41% of the State's total. The more important utilities serviced are: Winsted, Waterbury, New Britain, Bristol, Meriden, Norwich, Groton, Montville, and most of the State's utilities. The company is engaged in the "Connecticut Electric Exchange" or "power pool" created by the Electric Light and Power Commission of the State. The company receives the cheapest power available at any time. The first unit installed under this agreement was completed by United Illuminating Co. in 1937.

Connecticut P. & L. completed a 100,000 kw unit at its Devon steam plant in September this year.

The company had already begun construction on a 150,000 kw unit at a new power plant at Norwich Harbor. It will be the largest steam unit in New England when it goes into operation in 1960. The Norwich Harbor plant will be located on Mamre Island, and use of this location for a plant has been in litigation since 1952 with the City of Norwich. However, the company obtained a favorable decision from the State Supreme Court early this year. Also, citizens voted down a proposal to condemn the Island for recreational use.

The company is making a joint study with Emhart Manufacturing, of design for a new steam generating plant in which left over steam from production of electric power would be employed to condense salt water. The project is based on a process developed by M. Sleney Co., subsidiary of Emhart.

Connecticut L. & P. is also associated with other New England utilities in the construction of Yankee Atomic Electric's 134,000 kw Nuclear Power plant at Rowe. Mass. expected to be ready in 1960. CL&P is the second largest investor in Yankee and will be entitled to 15% of the output. Unfortunately, this is a pressurized water reactor, the plans for which may be relatively expensive. The company is also a member of a group which is doing research on a fast neutron breeder reactor, etc.

The company's expansion program for the three years 1958-60 will cost $106 million. Some $34 million was spent last year and the 1960 budget is about $42 million. In February, 1957, the company sold 32 million common stock on a 4-for-7 basis at a subscription price of $1.60. In January, 1958, 30 million of its 3% bonds were sold, paying off bank loans and providing for a substantial part of capital expenditures.

The company's earnings record has been marked by stability and modest' growth. Share earnings for 1958 were $1.26 on average shares in the 12 months ended Sept. 30, 1958. However, current earnings probably in excess of 15% for the savings resulting from accelerated depreciation.

Earnings in recent years have doubled in good weather. Various parts of the service area were served by very severe storms in some of the four years 1955-56. Also in 1957, there was a drought which reduced hydro output to 85% of normal and cost the company some $550,000 for additional power to generate steam power. Despite recession effects on industrial operations, 1958 is looking good because of the new large stock issue coming in 1959. In the present period, both figures being on average shares.

The stock has been quoted recently over-counter for 93, and based on the current dividend rate of $1.10 (recently raised from $1), the yield is 4.7%. The price-earnings ratio works out at about 17.

Copley Adds to Staff

COLORADO SPRINGS, Colo.—William N. Shute has been added to the staff of Copley Co., Independence Building.

With Columbine Securities

DENVER, Colo.—Carl F. Dixon is with Columbine Securities Corp., 651 Seventeenth Street.

Two With Ideal Sccs.

DENVER, Colo.—William J. Jones and John L. Loomis are now affiliated with Ideal Securities Co., 2185 Broadway.

Two With Everett Ballard

PARK RIDGE, III.—Elma L. Smith and Charles F. Southward are now with Everett E. Ballard, 566 Park Place.

Ingalls & Snyder Partner

On Jan. 1, Frank Rubinstein will become a partner in Ingalls, Snyder & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Batchler, Eaton Partner

On Jan. 1, John Batchler will become a partner in Batchler, Eaton Co., 120 Broadway, New York City, members of the New York Stock Exchange.

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B. W. Pizzini to Admit

SAGE & CO. to Admit

B. W. Pizzini & Co., 25 Broad St., New York City, members of the New York Stock Exchange, on Dec. 23 will admit B. W. Pizzini to limited partnership.

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Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The short-term sector of the Government market continues to hold the spotlight, since the demand for the most liquid Treasury obligations is still sizable even in face of the larger offerings of these securities by the Government in order to raise new money to finance part of the deficit. Corporations are taking advantage of the offering of 129-day Treasury bills, since there are reports to the effect that they are changing over in many cases from the three months issue into the longest liquid obligation.

The longer-term securities are in much the same area as they have been, as the demand for these issues continues to be limited. Some switches for year-end purposes are being made, but again these swaps are not too significant from the standpoint of size. State pension funds, according to advice, have been making selected purchases of the most distant issues.

Good Business Prospects for 1959

The look into the coming year by economists and financial specialists appears to indicate a fair degree of agreement as to how the economy is supposed to be. It is evident from the predictions which are being made that it is believed the recovery will continue at a good pace, one not dissimilar to that which has been witnessed in recent months. The improvement in the automobile industry, as well as the rebuilding of inventories, is expected to give a modest fillip to the economy.

Based on these forecasts, it seems as though an orderly upward trend in the business pattern would not be out of order in the new year. As against these predictions, are the forecasts of those who hold the view that the recovery will tend to slow down in 1959, and this will take some of the froth off the inflation bug which has been and still is very strong. Nonetheless, none of the forecasts looks for a sharp set back in 1959.

Ticier Money Market Seen

Since it is evident that the economy will continue to improve, in the opinion of most financial specialists in the coming year, the demand for the underwriting credit is quite likely to grow also. This means that the pressure will be on the banks to raise their costs. Higher costs for borrowings, unchanged New York City thrift rates, and the new thrifts are likely to incline to supply more funds to the money market.

Signs that interest rate policy of the powers that be, is to keep money rates as low as possible, have not been witnessed in recent months. The improvement in the automobile industry, as well as the rebuilding of inventories, is expected to give a modest fillip to the economy.

With a modest tightening in the money market, a distinct possibility exists. If the existing spectacles in the money market is not, therefore, a limit to the upward trend of prices, then it will be expected that the Federal Reserve System will step in and support the money market. The Federal Reserve System will have the power to do so, if it so chooses, and it is expected that during the next few months the Federal Reserve System will step in and support the money market.

Tresury to Borrow Steadily

The position of the Federal Reserve will be a very important factor in the money market in 1959, since there will be a shortage of funds which means that the Government will be in the market to get needed funds. The operations of the Treasuries and the Federal Reserve System will therefore be of great interest to the money market. The Federal Reserve System will have the power to do so, if it so chooses, and it is expected that during the next few months the Federal Reserve System will step in and support the money market.

Possible Rise in Interest Rates

The long-term sector of the market—that is the capital market—will have its trend dictated primarily by the Government, and the money which the Treasury will raise through the flotation of issues with more than a short-term maturity. To be sure, the corporate and institutional market will be just as large as the current market. The Federal Reserve System will have the power to do so, if it so chooses, and it is expected that during the next few months the Federal Reserve System will step in and support the money market.

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Where Are Our Greatest Foreign Investment Opportunities?

The economists of the Economic Research Council have been studying the possibilities of foreign investment, and they have come to the conclusion that there are opportunities in the following countries:

1. Japan
2. Taiwan
3. Indonesia
4. South Korea
5. Philippines
6. Thailand
7. Malaysia
8. Singapore
9. India
10. Pakistan
11. Nepal
12. Sri Lanka
13. Bangladesh
14. Pakistan
15. Afghanistan
16. Iran
17. Iraq
18. Turkey
19. Syria
20. Lebanon
21. Jordan
22. Egypt
23. Morocco
24. Tunisia
25. Algeria
26. Ghana
27. Nigeria
28. Cameroon
29. Zaire
30. Congo
31. Angola
32. Mozambique
33. South Africa
34. Botswana
35. Namibia
36. Zimbabwe
37. Malawi
38. Zambia
39. Madagascar
40. Mauritius
41. Seychelles
42. Seychelles
43. Comoros
44. Mayotte
45. Réunion
46. Mauritius
47. Ascension
48. Tristan da Cunha
49. Saint Helena
50. St. Kitts-Nevis
51. Anguilla
52. Antigua and Barbuda
53. Nevis
54. Montserrat
55. St. Vincent and the Grenadines
56. Grenada
57. St. Lucia
58. Barbados
59. Dominica
60. St. Kitts-Nevis
61. Anguilla
62. Antigua and Barbuda
63. Montserrat
64. Saint Kitts-Nevis
confused with the technical efficiency of the methods of production in under-developed countries. It cannot be judged simply by comparing their wealth with that of the wealthy nations. In the last analysis, it is not merely the level of per capita income that measures the standard of living. It is also the rate of growth of the population. When a population is growing at a fast rate, it is likely that the country is not providing enough food to sustain its population. This can lead to malnutrition and other health problems.

In the context of under-developed countries, it is important to consider the role of the government in promoting economic development. The government can provide incentives for investment, such as tax breaks or subsidies. It can also provide infrastructure, such as roads and utilities, to facilitate economic growth. In some cases, the government may also provide social services, such as education and health care, to improve the standard of living of its citizens.

The United Nations has played a role in promoting economic development in under-developed countries. The United Nations Development Program (UNDP) has been working to reduce poverty and promote sustainable development. It has provided technical assistance, training, and funding to governments in under-developed countries. The United Nations also helps to coordinate the efforts of international organizations and donors to support economic development.

In conclusion, it is important to understand the challenges facing under-developed countries and the role that the government, international organizations, and the private sector can play in promoting economic development. By working together, we can help to create a world where all countries have the opportunity to develop and prosper.

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uncommitted countries the superiority of freedom is to make India the show window of free enterprise. It is being contended that we have scattered our aid over too many countries, and that the effect was slight in each country. It is suggested that we concentrate on India and the growth of India. In order to show what a non-communist aid to India can produce. It is maintained that if communism succeeds in securing the rate of economic growth in China substantially above that of India, we will lose the competition of communism will be tremendously increased and it will start to play under-developed countries.

While this theory has taken root in the minds of some people, I doubt whether it is held by the people. I doubt whether it is held by the people. The vast abundant resources available to under-developed countries are human resources. In communist countries like Russia and China the human resources are grossly exploited by totalitarian methods. However, one with the technici of democracy and which still has social institutions like the caste system, the circumstances do not make for ample exploitation of human resources. It is not necessary to head the one of the secrets of the communist type of development and development was precisely the optimum utilization of human capital. One can, of course, exploit the religious taboos in India which make it a great promise to operate the economic system instead of an asset.

Secretary Dulles in his press conference of Nov. 27, probably having in mind the same idea, made the following remark: "I don't anticipate that it is practical or possible that the rate of capital development be as rapid as in all of these countries (India, China, etc.), as it is in the case of the communist countries which have slave labor. Obviously you can do more rapidly in a country which is not in a position to do so.

Our productivity is still climbing from 1947 to 1957 the average annual increase in output per man-hour was between 3 and 4% and compared to the long-run 2% Although the increase did slow down the past couple of years it seems to be about to make up the lost.

Our technological process has not shown any slackening. Research and development with the private and public levels continues its amazing output of new inventions and new ways of doing things.

The skill of our labor force and the management and supervisory staff improves, both from experience and as a result of our broadening educational base.

These and other factors combine to make us confident. The Committee for Economic Development. In a recent report, has estimated that if we continue at the average annual rate of growth since 1950, our Gross National Product by 1975 would exceed $700 billion, as compared with $440 billion in 1957. This is not a prophecy, but an arithmetic which takes into account the human and material resources available to under-developed countries.

When we Americans look abroad we must keep in mind that we are living in the most revolutionary period of human history. There are a half-dozen forces in operation today, none of which may tear apart the seemingly solid fabric of our life and narrow nationalism at that.

We are awakening to the desire for a better life, the most rapid growth in world population in history and the technological revolution are all at work. Each of these forces alone would be enough to cause serious disturbances in the world. Coming together as they do they may create a highly explosive mixture. The destiny of the free world will depend in large part in which we meet this awesome challenge of our time.

It will require more intelligence than dollars, enlightened self-interest and redefinition of the institutions, and a great sense of responsibility of their leaders, if we are to save off the rush of the barbarians. So help us God.

Continued from page 6

This Growing Economy

And the Federal Budget

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This Growing Economy And the Federal Budget

I think the American people should be concerned about the threat of inflation as a consequence of deficit financing during a period of vigorous economic recovery. This is the point to which the President is trying to accompliach in containing expenditures in the forthcoming Federal budget. We just cannot satisfy all the demands for government spending, and still balance the budget within foreseeable revenues.

Third, in any budget—you mine, or the government’s—first things must come first. After the bare necessities are provided for, other programs can be considered out of what income remains, if any. We need the kind of budget for the next several years which puts some definite choices up to the American people. If we can’t afford what some special group asks, the government shouldn’t spend it.

If one group of our citizens has grown accustomed to subsidies or benefits which are out of all proportion to reality, the government should scale those benefits and subsidies down to what we can afford.

If we cannot carry out the wishes of the majority with the present tax structure, the government should spell out what new taxes must be raised.

If the people want protection in a world of tension and danger, without more taxes, the government should remind them of the sacrifices they will have to accept.

It is time for realism in government finances—in the Federal Budget.

This is one practical way to reduce the risks of inflation and to help our economy to "grow" in the right sense of the term. This is not an easy course.

I mean that we must find a way to finance our defense needs, our needs not to be a second-class world, and our needs for domestic purposes, without accompanying necessary private investment or family consumption, and acquired for essential functioning of the economy.

This sounds like a Budget Disaster. But it is entirely avoidable, if not the impossible. Nevertheless, it is precisely what lies at the center of the every planning at the Federal level.

Submitting Startling Figures

Some of the figures are startling. The Federal Government tax take in this country—nothing but that—already amounts to over 25% of national income. The cash expenditures of the Federal Government alone constitute about $25 billion. In constant dollars the Gross National Product has more than doubled from 1929 to 1957, but Federal expenditures have increased 12 times.

The result will not be easily reversed. Foremost, I think we must accept the prospect that military costs will continue to absorb about 50% of the total Federal budget for years to come—unless some secure resolution of world tensions is achieved. Defense comes high. In this age of technological advance, we can insist that defense will be represented through careful management and strict standards of economy; but this will produce relief, in the dimensions we are dealing with. When you add direct defense expenditures the other bills we must pay for the costs of past wars and for international security for the free world, the total comes to 77% of the going budget.

Meanwhile, our society is not standing still. Other imperatives are pressing for consideration. The space age is upon us, and to meet its challenge will be expensive. Education, health research, the rebuilding of our cities, the irrigation of our lands, the development of new forms of energy, the building of highways and the movement of traffic, the need for recreation facilities, the demands of our aging population for new services—all these and other responsibilities are not uncharged upon government at every level, as the character of our society changes, and as a growing economy generates new requirements without releasing government from any of its present responsibilities.

The problem down to come on one of resources—human, material, and financial. We cannot take our resources and assume that they are without limits, or expend them thoughtlessly. In every ordered society, there is a sense of values, a recognition of priorities. Preserving our values is the benefit in financial stability as an essential of a social order dependent upon order. Without that stability, there can be no social growth, no secure achievement. Without priorities in our purposes, there can be no local peace, no adherence to realities.

We do not have so much, and there is a responsibility on every citizen and every pressure group to think well on their stake in a sound economy, free of waste and waste; as this old-fashioned test of ability-to-pay shows the way, and it must be back on the mantel piece as a reminder that there are limits on the capital of government available to render services of every description to government are very close to pulling the rug from under the society we prize so highly.

Growth—and Responsibility

It is not a matter of extent, but at least to me, that so many Americans in positions of influence and power can be most eloquent in describing our country's fabulous economic growth, without realizing at all the necessity for dealing responsibly with the new conditions which have been created by that very growth.

Why it is that some business leaders join taxpayers organizations to bring pressure on the government to cut expenses, and yet support industry groups seeking more government subsidies?

Why is it that some business men press for hard wage increases to keep up with the cost of living and then urge a massive program of legislative action which, if carried out, would lead to more deficit spending, higher taxes, and inflation—all of which could only demoralize the value of wages earned?

Why is it that some farmers at once embrace the new farm technology which multiplies crop production, and demand a structure of government price supports and other benefits and services which, at an annual cost to the American taxpayer of between $7 and $8 billion, is exceeded only by defense expenditures and debt service?

Why is it that many politicians, in their search for votes, often choose to play the demagogue in some age when we are. I believe, waiting to be offered not only hits and circuses, but evidence that future generations, under the aegis of government, can meet the challenges of the future—future is the first concern of government today.

We cannot safely run this country on a mixture of selfishness, at political, economic, or social changes by one simple statement, or act. We need on it with the ingredients of the future, unless we are to be made of the hazards cannot be ignored. Everything will turn out all right in the last chapter. That might have been enough good 20 years ago, if then, but we live today in an entirely different world, and horse-and-buggy thinking will not be able to satisfy the strains and crises which lie across our path to survival and achievement.

The Test We Face

I return to the point which I made at the beginning, of thinking in terms of guarding our economy.

For the next few weeks the President will submit a new budget to the Congress, for fiscal year 1960. It will be a budget tailored to the facts of our economic life. It will be as tight a budget as the President can make it, in the fact of this rising law.

The new budget will run into sharp criticism because of the very fact that it will be tight. It will likewise be met by criticism on the part of those who think it should be even tighter.

We can’t have it both ways. If the thinking people of this country, including the economists who have based themselves on a strong economy and an inflationary economy, will unite to hold the line, and show through the budget levels, we will have a chance to meet our responsibilities, and consolidate our financial position. We must do these things, and the economic sacrifice, for tomorrow’s sake as well as for today.

We are facing a test. We can unite and meet it, or we can divide and escape it—but we will not escape it for long, and it will be that much harder to deal with...
The State of Trade and Industry

Ford Motor Co., American Motors and Studebaker-Packard plants all have their assembly programs a week away with six-day and overtime efforts. General Motors car production was 20 percent over its highest level since December 3 to 8, 1956, Motor Co.'s goal was its greatest since November, 1957; American Motors was shooting for an all-time company peak and Studebaker-Packard programmed its biggest volume in three years.

The present assembly rates indicate the four millionth car of the model year w'll be produced Wednesday, December 17 declared Ward's. Through the end of the week, the total stood at 9,04,04, a figure approximately 4,200,000 units above last year's record at this time.

"Warms" estimate for trucks last week was 22,000 units compared to a similar 25,000 count the week before. A strike-caused closedown of International Harvester plants enter its fifth week the past Thursday.

Steel Output Expected to Increase This Week, to 75.4% of Ingot Capacity

Steelmaking operations last week were at the highest level of the year and the current week is expected to be above the magazine stood on Monday. Mills operated at 75.3% of capacity, up one point from the previous week; Production was about 2,000,000 tons of steel. Ten out of 12 steelmaking districts reported higher rates or operations over last month levels; Detroit at 97% of capacity, down 3 points; St. Louis at 76 points; Cincinnati at 86, up 4 points; Chicago at 74, up 7 points; Pittsburgh at 83, up 0.5 point; Western district at 78, down 0.5 points to 73.5; up 3.2 points; Charlotte at 77, up 0.3 points; Birmingham at 66, up 3 points; and Youngstown at 80, without change.

The United States Supreme Court gave steelmakers a big Christmas present and assured them a happy New Year the past week in reversing the Mem- phis decision.

The metallurgical working observed that a resurgence of line pipe demand in 1959 can be counted on natural gas con- sumption, as expansion programs that were shelved 13 months ago. Shipments of line pipe may jump up by the end of the year.

The Supreme Court reversed a lower court decision in November 1957 that companies could not raise rates without customer con- sent. Previously, 6-months notice was required and increased were subject to review by the Federal Power Commission.

Pipeline people lost much of their zest for expansion, the combined forces of law and recession pulled on demand down from 1957's record high of 4,200,000 tons to this year's estimated 2,900,000 tons.

Manufacturers of drill pipe, tub¬ ing and other goods that are of interest to pipeline programs will also mean better business for them.

About one-third of United States metalworking plants will expand in 1959, a "Steel" survey shows. Of those, 10% will build new plants, 25% will make additions and 70% will buy equipment.

In all, plant operation ca¬ pacity will be hiked 2.6%. Metal¬
The State of Trade and Industry

The amount of electric energy distributed by the electric light and power industry for the week ending Saturday, Dec. 13, 1958, was estimated at 15,450,000,000 kwh, according to the Edison Electric Institute. Output last week recorded a new all-time high record. The previous all-time high was reported in the week ended Dec. 6, 1958, at 13,017,000,000 kwh. Last week's output reached 12,938,000,000 kwh, above that of the comparable week in 1957 by 1,290,000,000 kwh, above that of the week ended Dec. 13, 1956.

Car Loadings Rose 10.6% in Post-Holiday Week Ended Dec. 6

Loadings of revenue freight in the week ended Dec. 6, 1958, totaled 994,476 cars, a decrease of 23,360 cars, or 2.3%, under the corresponding week in 1957, and a decrease of 143,775 cars, or 12.8%, below that of the corresponding week in 1956.

Car Output Curtailed the Past Week by Labor Trouble at Detroit Plants

Passenger car production for the week ended Dec. 12, 1958, according to "ward's Automobile reports," was cut by strikes and production halted stemming from strikes at Chrysler plants. Last weeks' car output totaled 142,659 units and compared with 147,361 (revised) in the previous week. The past week's production total of cars and trucks amounted to 190,201 units, or a decrease of 4,706 units below that of the previous week's output, states "ward's." Last week's car output dropped under that of the previous week by 4,706 units, while truck output declined by 432 units during the week. In the corresponding week last year 146,503 cars and 22,856 trucks were assembled. Last week the agency reported there were 759,292 trucks made in the United States. This compared with 22,596 in the previous week and 22,691 a year ago.

Lumber Shipments Rose 1.9% Above Output in the Holiday-Week Ended Dec. 6

Lumber shipments of 464 reporting mills in the week ended Dec. 6, 1958 were 1.9% above the previous week, according to the "National Lumber Trade Barometer," in the week ended new orders were 3.1% above production. Unfilled orders amounted to 20% of stocks. Production was 14.8% above; shipments 1.5% above and new orders were 11.5% above the previous week and 12.2% above the like week in 1957.

Business Failures Turned Down 30.9% in the Week Ended Dec. 9, 1958

Commercial and industrial failures declined to 267 in the week ended Dec. 11, 1958, in the preceding week, Dun & Bradstreet Inc. reported. Failures were slightly lower than last year when 268 occurred, but they continued above the 249 in 1956. Compared with the prewar level, failures were off 1%, above that of the total of 277 in the similar week of 1939.

Liabilities of $50,000 or more were involved in 229 of the week's failures, falling from 254 in the previous week, 4.3% a year ago. On the other hand, small failures under $50,000 dipped from 38 to 30 last week, but exceeded the 34 of this size in 1957. Twenty-three of the failing concerns had liabilities in excess of $100,000 as against 23 in the preceding week.

Retail failures dropped to 125 from 135 a week earlier, construction from 49 to 48 and commercial service to 19 from 23. In contrast, the toll among manufacturers climbed to 54 from 49 and among wholesalers from 22 to 23. More businesses failed than a year ago in manufacturing and trade lines. On the construction and service mortgagors dipped below 150.

Geographically, all of the week's failures were concentrated in four regions. East North Central, casualties fell to 30 from 37, West South Central to 13 from 15, South Atlantic to 20, Pacific to 68 from 74 and New England to 8 from 14. Increases on the other hand, prevailed in five regions, including the Middle Atlantic group which set a record. This region's total climbed to 97 from 59. Trends in the week's failures of all types were mixed, with three regions suffering heavier casualties, five had lower failures, while one area reported no change. The most noticeable decline from last year was in the East North Central States, whereas the South Atlantic States reported a slight rise from 1957. Business failures, running con- tinuous to the usual seasonal rise in November to 75% to 112, the lowest second toll this year. The decline occurred among concerns of small and medium size, in all types of business except construction, than in six of the nine major geographic areas. Casualties were 4% less numerous than last November. Five states saw declines. The distressed were falling at an annual rate of 36 per 10,000 listed enterprises, off fractionally: from the rate in 1957.

Despite the downturn in number of casualties, their dollar liabilities climbed 20% to $30,700,000 in November, boosted by a rise in failures involving liabilities above $100,000. This size group was also responsible for the 34% increase in liabilities from November a year ago, Dun & Bradstreet Inst. Inc. reported.

Wholesale Food Price Index Declined Below Year Ago for Second Straight Week

For the second consecutive week, the Dun & Bradstreet wholesale price index declined below that of the similar date a year ago. On Dec. 9 the index stood at 68.38, down from last year's 68.65 and 0.2% below the 68.36 of the comparable period last year.

Moving upward in wholesale cost the past week were oats, barley, corn, cottonseed meal, cottonseed oil and lard. Fewer in price were flour, wheat, rye, bel¬ lies, lard, coffee, cocoa, eggs, pata¬ toles and steers.

The wholesale commodity price index also shows the total of the price per pound of 35 commodities 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.

Recorded Further Losses in...
Trade from varied sources declined moderately during the week. Increased purchases of cotton, wool, linens, and man-made fibers, and retail sales of lighting fixtures and similar items, together with a general decline in prices, resulted in a moderate easing of demand for cotton in the wholesale market. Retailers and middlemen reported a decline in buying activity, but a few noted a slight increase in sales for certain items.

The market continued to show a general downward trend, with the exception of some buying and selling for future delivery. The decline in prices was attributed to the general weakness in the economy and the increased supply of goods available for sale.

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Stable Price Level Is Misleading

Let us not be misled by comments to the effect that the consumer price level is now stable. The process of inflation in this country started over 10 years ago during our war-time period and with minor interruptions from time to time has persisted ever since.

The Federal Reserve System leaned against the wind whenever it has been clear which way the wind was blowing. In 1957-58, when a decline was under way, we pursued an easy money policy, in order to give whatever assistance an enlarged inability of money could give to alleviating distress and laying the groundwork for recovery. This was largely achieved by the end of April of this year. Accordingly, Federal Reserve policy has been adjusted so as to be more in line with the change in economic conditions. At the present time, with increased demands for funded and improved productivity, we are witnessing a strong economic comeback and we are now beginning to see a gratifying decline in unemployment figures. Although the total is still higher than any of us would like it to be, let me stress to the benefit that these unemployed people will be assisted by flooding our economy with a stream of credit. Whether we can get these people back to work is dependent on fundamentals that are not necessarily in the hands of the Federal Reserve System, yet they cannot be left completely unaided.

Deficit

The other thing cited to me as a reason for foreign distrust of American credit, or to will to preserve the buying power of the dollar, is the deficit that has developed in the United States budget, plus possibilities that the deficit may follow in the years ahead. It was amazing to me how closely our budgetary developments were followed in the remote areas as Thailand and Indonesia, and how many people there knew our precise budget figures better than most Americans.

Of course a simple fact of human nature is that people have their interest. They all know, many through personal experience, that the United States Government has given foreign countries that paper we call money moral fiber to put their finances in order. And, as a widely traveled man I was recently suggested to me, it is only natural that foreign countries should be wondering if we have the capacity to take care of ourselves, we have so freely prescribed for others.

Printing Paper Money

The question that I ran into was something else: since Americans can clearly afford the expenditures and credit, why don’t they pay for them? That is, why don’t they pay in taxes or reduce other programs instead of giving L.O.U.’s or simply printing more paper dollars? That also is something to think about.

Now let’s discuss this matter of the budget. We reason that such budgets that can always be balanced. Likewise, no sensible person believes that an unbalanced budget is a desirable way of life. This, of course, has moral connotations as well as economic.

We are a rich country. There is no reason to be ashamed of it and we do not need to apologize about it. We must recognize that some people in our society are not as rich or well off as we would like them to be. One of the things we can afford to expand is wages and salaries and foreign aid. Naturally we don’t want waste in these projects, but we can afford to spend a little more and find the means of paying for the expenditures in any way short of printing money. Regardless of what facile justifications are used to persuade us that we can have our cake and eat it, too, we cannot have hesitation in stating, “It just isn’t true.”

The other thing said was that the reality of either raising taxes or revising our tax structure to provide revenue or reducing the priorities of some other programs until we can control our deficit, is just not faced up to. Whether the justifications for fiscal tightening in time of inflation — and at best I sometimes think there is a good bit of wishful thinking here — can be no question that when business is improving, and the budget becomes more and more in line of inflation, if effect, it will move into the business structure as a whole, until our monetary system can move away from the concept of the I.O.U. by which it had been indulged in. Again let me say, this is not pleasant, but with respect to the other story, let’s talk about modern times and modernized classical theories what I am saying is based on times and principles that are as valid and inescapable today as they have been down through the ages.

Realism toward Interest Rates

We that the time we stopped shilly-shallying about this matter of interest rates and faced up to it, all the more years ago when the decision was made up to govern our Government budget, in a way that would not without adequate understanding of the role of interest rates in our economy. We have had too many preferential interest rates and costs and so forth. It was possible to ignore completely the workings of the market place. Interest rates are the prices charged for credit. They are a social clearance, as well as a cost to the borrower. In a private enterprise economy they are established by the interplay of market forces. They perform the important function of indicating the volume of credit that flows through specific channels of enterprise. They are essential to pricing the assets on which holders expect to receive income over a succession of years. It is through flexible rate movements that the incentives and disincentives are provided for balancing the supply and demand factors in our economy.

The most striking illustration of their usefulness and effectiveness in recent years occurred nearly three years ago when the decision was made to use our Government budget, in a way that would not without adequate understanding of the role of interest rates in our economy. We have had too many preferential interest rates and costs and so forth. It was possible to ignore completely the workings of the market place. Interest rates are the prices charged for credit. They are a social clearance, as well as a cost to the borrower. In a private enterprise economy they are established by the interplay of market forces. They perform the important function of indicating the volume of credit that flows through specific channels of enterprise. They are essential to pricing the assets on which holders expect to receive income over a succession of years. It is through flexible rate movements that the incentives and disincentives are provided for balancing the supply and demand factors in our economy.

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could not be sold to the public above a fixed price. The only answer received to this suggestion was "That's different."

Now I want to go one step further and talk about the most difficult aspect of all of our problem. This is the subject of confidence. It is the subject we fearlessly avoid because we are afraid of upsetting confidence by discussing it. All of us know of cases of responsible and reputable individuals who contributed to this downward confidence. We are more likely to recognize them as are the equally irresponsible individuals who over-paint, over-sell, over-emphasize the optimistic side of things in the name of inspiring confidence. In any event, confidence is perhaps the fundamental factor in money and currency. Those of us who are charged with responsibility for our monetary affairs recognize that.

Money must not only be a medium of exchange and a standard of value, but it must be something in which people have base confidence.

Miss Stiglitz Inflation

Because of the interrelationships of interest rates and budgets, as well as the interconnection of the United States in international trade, it is a serious matter when an important segment of world opinion has begun to question the financial and economic credibility of our American dollar. It is not something we can lightly pass over in hope it will go away. The battle against inflation is at a critical point and if the United States would be a serious setback for the entire free world. I would like to be able to state with some certainty that there will be no inflation," I cannot do so.

For any one man, that would only be idle talk. What we need now is not talk nor long debate nor lengthy analysis but immediate actions—actions continuing over time which will demonstrate to doubters the good and responsible character of the American people.

A pressing need for such action confronts us as British subjects. The fear of inflation is earnest, and it is having a damaging impact already. Today, when the level of savings in our country is at a low point, unemployment seems to have renewed itself. In my opinion, selling long-term Government bonds at interest rates substantially lower than current levels of unemployment is a gross misstep. These savings were convinced that there will be no inflation—convincing them that we were making affairs on a basis which will make inflation improbable.

I am well aware of the fact that some of these remarks may be interpreted pejoratively. They are not so intended. We have already made a good start on the road to improving this situation. However, the progress we have already made gives no ground for complacency. Improvements in business efficiency directed during the first half of the year are helping in the current recovery movement that is continuing on a rather broad basis. And it is news to me that the Federal budget is getting determined attention in one more quarter. Let us press forward on these policies and not allow a setback.

The recent trip to which I was referred impressed on me as never before that the eyes of the world are upon us. Responsible officials in many countries are watching us closely to see just how we intend to practice what we have preached to them.

The future is not entirely within our control but we do have it within our power to maintain the integrity of the American dollar if we have the will to do it. Until or unless the people, through the Congress, change the Federal Reserve Act I can pledge to all of you that the Federal Reserve System will do everything in its power to safeguard our currency.

Continued on page 4

Shall We Repeat the Mistake of the 1920s?"

Charles Vesce Opens Securities Office

Charles Vesce is conducting a securities business from offices at 46 Watts Street, New York City.

Harry Weinstein Opens

Harry Weinstein is opening a securities business from offices at 673 Broadway, New York City.

Forms Inv. Programming

BROADER MARKETS, BETTER EXECUTIONS

Robert Black Opens

William Black is conducting a securities business from offices at 101 Montague Street under the firm name of Investor's Programming Service.

Irving Fine Opens

Irv Fine is engaging in a securities business from offices at 69-10—180th Street.

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"Shall We Repeat the Mistake of the 1920s?"

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Fiscal and Monetary Policy as Factors in Economic Growth

from this source rises approximately $100 million.

More Revenue Without General Rate Increases

We have here the elements of our problem: prospective government expenditures, now estimated at $60 billion, and prospective government revenues, now estimated at about $57 billion.

In the first place, we should avoid trying to make it practicable for an individual to do a certain thing that he would not do in the absence of the tax. This would suggest that the first line of defense against this particular measure should be through measures aimed at broadening the base of the tax at the general rate increases. We are concerned interested in the benefits of particular programs and not primarily concerned with their tax consequences. On the other hand, it likely that any tax decisions that would be made in this situation would be influenced by groups that disapproved many of the expenditure programs in the first place and would therefore resist any alternative policy that programs they did not approve.

As we see the problem, it is this: How can we get the Congress and the public to make the decision as to whether or not they want an expenditure program adding up to $60 billion in the list of the tax program that those expenditures would involve in order to obtain a balance in fiscal affairs?

It is not clear that such a tax program would necessarily involve all of the expenditure programs. For instance, the social programs which enjoy some degree of popularity are not likely to lose their hold on the public in the face of an increase in the rate of taxation. These social programs involve spending on the present as tax base rather than through taxes, and base would be broadened in such a way as to alter their present status. I do not desire to alarm you into believing that there is present and that the Ways and Means Committee has a strong desire to tax mutual savings banks. I would be less than honest were I did not alert you to the possibilities that exist should present levels of spending and the tax base rather than through taxes, and I am not sure that in some future session Congress will be interested in taxation of mutual savings banks. If I may advise you, and I shall not charge for the advice, I should suggest that your organization begin to think of some possible approach a future Congress might take, if the facts should require a broadening of the tax base as to allow the collection of tax from such income. With the Ways and Means Committee on the initiative and the committee in any Congress would be most pleased to work on the basis of the same information and the committee itself should be informed on the basis of these data. Any of these expenditure programs, however, would be inflationary if we will not make consistent tax decisions.

In conclusion, I would say that after the next several years we are in a position of great expectation. I see it as a problem of consistent tax and expenditure decisions. We are told by economists that this country has the resources to increase considerably government expenditures and taxes if these are deemed necessary. There should be no doubt in our minds that we could maintain a dollar and probably exceed the requirement of the international situation. Any of these expenditure programs, however, would be

investment Securities

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SANDERS & COMPANY
Members New York Stock Exchange
REPUBLIC NATIONAL BANK BLDG.
DALLAS

Form I and I Plan
JAMAICA, N. Y.—The I Plan, Inc., has been formed with offices at 89-39 141st St., engaged in a securities business.

Inter-County Planning
VALLEY STREAM, N. Y.—Inter-County Planning Corp. has been formed with offices at 449 West Sunrise Highway to engage in a securities business.

M. J. Kaplan Open
Murray S. Kaplan and Jerome I. Kaplan are engaging in a securities business at offices at 1740 Broadway, New York City, under the firm name of M. J. Kaplan Company.

Kenneth Kaas Open
BROOKLYN, N. Y.—Kenneth Kaas is engaging in a securities business from offices at 159 Joralemon Street.

Now First Pacific Equities
PORTLAND, Ore.—The firm of First Pacific Investment Corporation, American Bank Building, has been changed to First Pacific Equities Corporation.

IBA GROUP CHAIRMAN
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Hunter Breckridge
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Bright Business Outlook

the hope is justified that the next decades can be marked as much or more accomplishment as in the past.

IV

Where We Are — Risks

And now let's consider what it would be more pleasant to ignore: the risks.

I have given what seems to me the most likely course of events in all three of these areas, dis¬cussed: The current business cycle, long-range economic trends, and the phenomena of business. In all three cases I have said that the most likely prospect seems to me for further improvement.

But as is always truly said, few facts about the future on this earth are certain. There are only probabilities. And while I judge the probabilities to be as stated, there are risks that will not materialize. The most major and significant risks seem to me to be:

(1) The first is the international struggle. The United States and the free world are faced with a group of dangerous and powerful group devoted with great deter¬mination to overwhelming us. I need of course the Communist in both Russia and China. There are reasons to believe that this risk is far away and usually exag¬gerated. My view is exactly the opposite. This risk can scarcely be exaggerated. If the free world

is to continue to exist and to expand, I believe that it must put forth even greater and more serious efforts than it has done over the last few years.

(2) The second risk is rising costs and inflation. In an increas¬ing number of lines of business the United States is pricing itself out of the world market. In much of the free world including the United States, the economy is making an effort to invest more than we are willing to save, and to spend more than we are willing to produce. This has set upon us the deadly enemy of inflation. Inflation means destruction that we must not allow to impede to inflation. Inflation divides us into competing power groups; it discourages saving which is the essence of economic progress by providing the wherewithal for in¬vestment, and it impairs and finally wrecks monetary systems which are the instruments through which this society utilizes the beneficent operation called speci¬fication or the division of labor.

(3) The third risk is political and social stragulation of economic institu¬tions and it exists both here and in the world, and in this hand and persuasive guises of need or urgency. We have a whole host of pressure groups demand restrictions upon the endeavors of other groups to become more ef¬ficient, to grow, to provide more and better products, to build a world that will divide world trade and thus impoverish some countries and drive them to anarchy and Communism. These are the forces

call for and impose measures that make people work less effi¬ciently than they could, and work less and better than they could. These are the forces that will tend to be made to produce goods either not wanted by the market place or at an unprofitable price.

(4) The fourth risk is the de¬velopment of a business and speculative spree. It has become a significant risk particularly in the Midwest. Business in¬flation is engendering a confidence that, as it is said: "The business is fine." When this is coupled with the de¬fense situation, which is almost over¬evitable and continuing, we have the makings of another of the speculative sprees, which are less common than any group of American's. The price risk is overwhelming, there are defenses against such a spree in the form of great knowledge from the past and limitations upon over-extension and over¬com¬mitment which seems to me to provide the basis for apprehension.

(5) But the greatest of all risks, greater than all the above added together, is my belief that our existing individual. That is the individual named George. He is to be found in almost every small town or city, and in New York and other large cities. He has been given a certain amount of freedom and complacency, and he wishes to keep it. It is not his wish to be without a comfortable chair to sit in, but it is his wish to keep plodding along and avoiding all problems. The future will reveal what the future can and should hold for our free world. We should be regions without walls—that is without limits. The future to me is exciting and challenging. This is a time of great promises; its opportunities for ac¬complishment are much greater than the visions of those of little faith. I stand on the side of the living, and I wish that the challenges of the future be met and that the opportunities can be realized.

A. Savedoff-Opens

GREAT NECK, N.Y. — Abraham Savedoff is opening a securities business from offices at 111 Hickory Drive.

Summit Secs. in NYC

Summit Securities, Inc. is now conducting its securities business from offices at 130 William Street, New York City.

Former Utility Inv.

Albert Spino is engaging in a securities business from offices at 1019 Broadway, New York City, under the name of Utility Investments.

Form Investors Discount

Investors Discount Corporation, known as IDCO, has been granted a new name of United Securities.

With First Southern Corp.

ATLANTA, Ga. — Wayne W. Thompson has joined the staff of the First Southern Corp., 652 Peachtree Street, N. E.
News About Banks and Bankers

...and until his death, served on countless committees and devoted much of his time to nationwide campaigns.

According to an announcement by Ralph T. Tyner, Jr., Board Chairman, Mr. Zabriskie was elected President, National Bank of Westchester, while N. Y. John J. Stout, recently-appointed Manager of the Bank's Peekskill division, was elected Vice-President to Vice-President, Prior to taking charge of the PeekskillOffice, Mr. Stout was manager of NBD's Eastchester branch and was formerly a director and Executive Vice-President of the New Rochelle Trust Company, New York before its consolidation in National Bank of Westchester. Edward H. Townsend, Methods Supervisor in the Bank's Operations Department, located in the main office in White Plains, was promoted from Assistant Cashier to Assistant Vice-President. A veteran banker of more than 30 years experience, he began his career at Chase National Bank in New York in 1927. Mr. Townsend was with the New Rochelle Trust Company from 1931 to 1951, when he later merged with National Bank of Westchester. Appointed as a Cashier, he was elected to the committee of assistant at NBW in 1954. He was elected to the committee of assistant two years later and was subsequently elected as Director of the National Bank of Easton, North Easton, Mass., with common stock of $15,000; and The Merchants Bank of Easton, Easton, Mass., which has common stock of $100,000. He was elected President of the Trust Company of New Jersey, Jersey City, N. J., when Lawrence B. Carey. He will succeed the late Charles E. Bobst. Of the National Bank of New York, New Jersey, announced that it will pay a stock dividend of 24,000 shares at the rate of one new share for each 19 held. In addition, the bank plans to pay a dividend of $1.00 per share, which will increase its capital stock by $20,000.

The annual meeting of the shareholders of the First National Bank of Teer's Fork, T. N., will be held at the banking house of the corporation Jan. 19, at which time the shareholders will be asked to elect 22 directors for the ensuing year, and to pass upon resolution to amend the Articles of Association of the bank. The declaration and payment of a stock dividend of $1.00 per share will be voted on at the next annual meeting of shareholders.

Mr. Brown, head of Fidelity Bank in 1951, has been a director of the bank since 1928 and has been an Assistant Vice-President in 1953. Mr. Zabriskie was elected an Assistant Vice-President in 1942, a Second Vice-President in 1950 and has been a Vice-President since 1951.

Mr. Zabriskie, in charge of Fidelity's commercial loan, has been with the bank since 1928 and has been a Trust Officer since 1935. Mr. Zabriskie became a Trust Officer in 1953. Mr. Zabriskie, in charge of Fidelity's commercial loan, was named an Assistant Vice-President in 1951.

Mr. Zabriskie was elected an Assistant Vice-President in 1950 and has been a Vice-President since 1951.

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News About Banks and Bankers

of the close of business Nov. 28. The consolidation was effected under the charter of The First National Bank of East Chicago and under the First National Bank of East Chicago, Ind.

By a stock dividend, The First National Bank of Springfield, Ill., increased its common capital from $1,000,000 to $1,300,000, effective Dec. 2. (Number of shares outstanding—65,000 shares, par value $20.)

The Board of Directors of Harris Trust and Savings Bank, Chicago, Ill., took action at its meeting on Dec. 10 to recommend to the bank's stockholders an increase in the bank's capital from $15,000,000 to $20,000,000 and the declaration of a one-for-three stock dividend, it was announced by Kenneth V. Zwerner, President.

If this recommendation is approved by the stockholders at their annual meeting to be held on Jan. 18, the capital increase will be brought about by transfer of $5,000,000 from undivided profits to the capital account on Jan. 19. This will bring the bank's combined capital and surplus account to $40,000,000.

Stock certificates representing the capital stock of the bank were issued on Feb. 2, covering one additional share for each three shares held by stockholders on record Jan. 19. Upon completion of this action, the bank will have a total of 650,000 shares of $20 par value stock outstanding.

Mr. Zwerner also announced promotions at the Harris Trust and Savings Bank. Honoring the list were three new Vice-Presidents: J. Brooks Corwin, in charge of the new trust business of Kent W. Duncan, and Carl S. Stanley, both serving in loan division of the banking department. All three were formerly Assistant Vice-Presidents.

Mr. Corwine joined Harris Bank in 1929. He was appointed Assistant Secretary in 1947 and Assistant Vice-President in 1953. Mr. Duncan joined the Harris in 1947 and was Assistant Cashier in 1947 and Assistant Vice-President in 1949. Mr. Stanley joined the bank in 1940, was made an Assistant Cashier in 1949 and Assistant Vice-President in 1952.

M. Nolan, Pettibone, Chairman, and Paul W. Goodrich, President, of Chicago Title and Trust Company, Chicago, Ill., announce the retirement of Mr. Pettibone as an officer of the company effective Dec. 29. The post of Chairman will be discontinued, Mr. Goodrich will continue as President and Chief Executive Officer. Mr. Pettibone will remain a member of the Board of Directors.

Mr. Pettibone entered the employ of Chicago Title and Trust Company on July 5, 1911, became President on July 8, 1931 and Chairman on Dec. 1, 1953.

Directors of the Translanners National Bank of Detroit, Mich., Dec. 15 approved the transfer of $5,000,000 from undivided profits to the bank's surplus account, it was announced by William A. Mayberry, President.

As a result of this transfer, the new loan limit for a single borrower—10% of capital and surplus of $24,000,000—will be $2,400,000. This is an increase of $500,000 from the former limit. Capital funds of the bank now exceed $52,000,000.

David J. Barry, Harold S. Dealy, Anthony L. DeTemple, and Vernon C. Johnson, William B. McAvoy and Thomas D. Nichols were elected Vice-Presidents of the bank.

By a stock dividend the common capital stock of The Farmers National Bank of Webster City, Neb., was increased from $100,000 to $200,000, effective Dec. 2. (Number of shares outstanding—2,000 shares, par value $100.)

Arthur F. Bousfield, Vice-President and Cashier; Louis F. Moe, Senior Vice-President, and David H. Mercey, Vice-President and Trust Officer, were all elected and a Board of Directors is to be elected. The new bank's capital stock will be $200,000.

The official staff of the new Webster City office, which will open for business about Jan. 5, will be John E. Miller, Manager, with Benjamin P. Greenwood and Melvin H. Gott serving as Assistant Cashiers.

Frank L. King, President of the bank, has announced the election of T. Lundsahl, Levigton B. Tuck, and O. E. Lane as Vice-Presidents of the bank.

Vice-President Lundsahl joined California Bank in 1957 and was assigned to the staff of the bank's public relations section, City, Division.

Vice-President Tuck has been with the bank in the real estate loan department since 1942. He was appointed Assistant Secretary of the department in 1949 and Assistant Vice-President in 1945.

Vice-President Westra began his career in banking with the North-West Security National Bank of Minneapolis, Minn., in 1942. He became associated with California Bank in 1949 and was appointed Assistant Vice-President in 1956.

The new stock will be offered to shareholders in the bank under the title of "The First National Bank of California." Shareholders will be offered 20 shares of the new stock for each 100 shares of the bank's issued common stock.

The ratio is one share for every five shares held. The issue will bring up capital from $18,000,000 to $21,000,000 and the reserve account will be increased from $1,724,000 to $1,974,000. Subscription warrants for the new stock will be issued on Dec. 17 and the right to subscribe may be exercised up to March 13, 1959, when the offer expires. The warrants may also be sold at any time between the issue and the expiry date. Warrants will not be issued for fractions of shares as this is not permitted under the Bank Act.

The new shares may be paid for in 10 equal monthly installments commencing March 13, or may be purchased outright after Dec. 31.

Dividends will be payable on the new shares in proportion to the paid-up amount of the purchase price.

The shares domiciled in the United States will receive subscription warrants which they may tender to the company. A new stock exchange, if not registered under the U.S. Securities Act, will not be offered to shareholders themselves being not offered in the United States.

More About Banks and Bankers

New Walton Branch in Fla.

CORAL GABLES, Fla. — Walton & Co., Inc. has opened a branch office at 216 Andalusia Avenue under the management of George U. Brown and Mr. Robert, who has been in the investment field for many years, was formerly a resident manager for Francis I. du Pont & Co., in Miami.

Form National Shares

National Shares Corporation is offering 24 shares business from offices at Wall Street, New York City.

D. Dean McCormick

D. Dean McCormick, head of McCormick & Co., Chicago, passed away Dec. 4.
Prosperity Not Guaranteed

Federal Reserve, assuming some responsibility to help preserve the integrity of the dollar, may feel compelled to restrain credit somewhat. This could slow down some construction, but if we overlook the economy something has given and something has received.

But here-as in the past, the Federal Reserve is more likely to follow the loan fund market than to lead it.-the bulk of borrowing and lending is now through financial institutions which are not within the control of the Federal Reserve.

Federal Reserve policies, even though they affect directly only a part of our financial system, have been fairly effective in restraining the boom, cushioning the recession and paving the way for recovery. Unlike the previous serious recessions, commercial bank investments have not been allowed to run off; indeed, their loans and investments have increased steadily, and now stand nearly $12 billion higher than a year ago. For this reason, currency and total deposits have risen and stand more than $12 billion above a year ago.

This policy of maintaining liquidity (since the currency and deposits are all owned by individuals and business) has been rested financial strains and credit agencies—thereby keeping the economy effectively lubricated.

"Although the FED has many critics, its performance during boom, recession and recovery has greatly helped to avoid sudden and unexpected vacillation from the absence of this carefully thought-out policy-making, would have been inevitable. It is only necessary to remind ourselves that a year ago a growing number of economists concluded that we were headed for a serious old-fashioned capital goods depression. Although conditions were ripe for such a contraction, depression didn't happen. A major reason was stated above, lies in the field of monetary management.

Summary

No one can forecast the future; but we can point to a turning point as an underdeveloped-or nonexistent art. All that is possible is to try to assess and weigh the contractionist and expansionist forces. However feeble is the set of forecasting may be, the businessman, nevertheless, must make decisions based on his best judgment of events to come.

Since, at the close of 1938, the depression which began last April begins to continue, and there are no obviously massive hurdle in the way, it seems safe to assume that expansion will continue in the period ahead, but possibly at a reduced rate. GNP should rise by $25 billion from the current level and reach a new high of $470 to $480 billion by 1940, and in 1941, we should, with luck, cross the $500 billion mark at today's prices.

The recovery has been substantial, but without much benefit from capital goods revival or the automobile industry. Since the combined effort of these two large sectors is unlikely to begin this year, the demand for loan funds (including heavy U.S. Treasury deficits) will tend to keep interest rates firm or, possibly a rising a bit. Since the consumption of goods has exceeded production and inventory liquidation appears to have come to an end, production now will have to be stepped up, even if there is no rise in demand. If incomes rise and demand grows, as seems probable, demand, prices will be further stimulated.

Productivity has been improving some what more than last year (characteristic of early recovery) and if wage changes were limited to long-range productivity gains, it is possible to have a relatively stable price index. If employers fully explain to their employees the reality of the economic "bath matches", involved in the wage-price race and determine to refuse to accede to uneconomic wage demands, the cost of living index could achieve relative stability throughout 1939. Wholesale spot commodity prices have shown no serious inflationary trend.

The expanding factors have the edge, but not by an overwhelming margin. Prosperity has to be earned.

Edward J. Phillips
Philadelphia-Baltimore Exchange Member

PHILADELPHIA, Pa.— The Philadelphia-Baltimore Stock Exchange has announced that Edward J. Phillips, a general partner in the investment securities firm of Samuel K. Phillips & Co., 1000 Chestnut Street, has been elected to membership on the Exchange.

Mr. Phillips has been associated with the firm, which was founded by his late father in 1904, since 1927, and has been a general partner in the firm since January 1938. During World War II he was on leave of absence to serve in the United States Army, returning to the firm in late 1945.

Two With Schwabacher

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—James C. Riewerts and Roger E. Towne have become associated with Schwabacher & Co., 100 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

With Wilson, Johnson Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Donald C. Poussette has become associated with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the Pacific Coast Stock Exchange. Mr. Poussette, who has been in the investment business for many years, was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Blakack Add to Staff

(Special to The Financial Chronicle)

SAN MARINO, Calif.—Thomas B. Bisch has been added to the staff of Blakack & Co., 2486 Huntington Drive.

With Balkie & Alcantara

(Special to The Financial Chronicle)

SANTA CRUZ, Calif.—James C. Elgin has become affiliated with Balkie & Alcantara, 1517 Pacific Avenue.

With First California

(Special to The Financial Chronicle)

OAKLAND, Calif.—Matthew F. Kelly Jr. has become affiliated with First California Company Incorporated, 436 Fourteenth St.
The European Common Market
And American Business

Common Market countries as 162,000,000 in 1955, with Gross National Products equal to $126,000,000,000—or roughly one-third that of the U.S.

In the same year, 1955, the combined population of the 17 countries comprising the proposed Free Trade Area was 285,000,000, with a gross product of approximately $350 billion, or about the same as that of the U.S.

In 1955 the U.S.A. exported goods and services, world-wide, to the value of $15 billion, of which $4.5 billion, or 25%, went to the Free Trade Area countries. In 1957 this gross export figure had grown to $18.5 billion, a sum greater than the domestic sales of the entire U.S. automobile industry.

Obviously, either group of countries represents a huge potential market for American industry and commerce.

How the Common Market Will Affect Europe

Apart from some chronic unemployment in Southern Italy, which is now being remedied, Europe has no manpower. Germany is over-employed and workers there are now agitating for a reduction of their average workweek of 48 hours. Approximately 28% of the population in Great Britain is reported to be gainfully employed—only a notably higher percentage even than in this country. And, in spite of its political and financial difficulties, French production is booming. Austria, a country, not a people, is becoming prosperous, is thriving and advancing its production at the rate of 4% a year.

But Europe is fast approaching the limits of its employable citizens, and its present plant and machinery capacity. If the market is not expanded at the present rate, it can do so only by increasing exports and by giving workers more leisure to improve the products they produce—and more spending money in their pay checks. These ends can be achieved only by increased productivity through greater worker efficiency, increased mechanization, and plant modernization.

European industrialists appreciate that increased productivity and efficiency can come only by increasing the efficiency of individual plants, by mechanizing the work, better working conditions, and through more enlightened management. They see at their work and difficult through traditional and bureaucratic methods. They are looking for improved quality and efficiency in operation and management, and are demanding the methods of handling paper work and methods of handling paper work and methods of handling paper work and methods of handling paper work..."
real some Euratom will be the key and anchor to the forces of European unification.

The prospect of the treaty of Jan. 1, 1958 among the six nations states that the participating governments agree:

Resolved to create the conditions for the development of a powerful nuclear industry which will provide extensive supplies of energy, leading to the modernization of technical processes and, in addition, have many other applications contributing to the well-being of their peoples.

The activities of Euratom are to be devoted to the peaceful uses of atomic energy. Since nuclear research requires significant numbers of highly trained people, and very expensive equipment and raw materials, and since it is recognized that only by coordination and consolidation of all efforts can the program be worthwhile objectives. They recognize that their efforts must be all coordinated to minimize duplication and wasteful effort. Two basic approaches: a program for training and research and, in parallel, a program to stimulate and coordinate the efforts of the six member countries.

It is noteworthy, too, that in order to promote technological advances, users will supply to nuclear technology, will be associated.

The stated objectives of Euratom call for a goal, over the next 15 years, of 14% of the total of electrical energy from nuclear sources. Depending on the character of the fuel, the target amount fully agreed upon, this might involve an expenditure in the order of $25,000,000,000. It is felt that the cost of energy from nuclear sources would be comparable with the cost of electrical energy from more conventional fuel sources.

While the United States acknowledges the need for the basic research contribution of European scientists to the development of atomic energy, it was the exigency of a World War that pushed this country to the forefront in the development of the bomb and later to the peaceful uses of nuclear energy—exploration for uranium, the mining of atomic piles, the design and construction of reactors, the use of isotopes, and the peaceful uses of nuclear energy to electrical and other power developments. It is for this reason that it may be expected that Euratom will benefit from American technical progress in the nuclear field and, as time goes on, the United States, in turn, should be the recipient of practical and tested advances in nuclear technology to be used to industrial and commercial uses. As stated by the 29th Century Foundation—"Euratom," dated February, 1958:

The United States has the technology, skill, and capital to develop nuclear energy, but no amount needed for it. Western Europe must have nuclear energy to grow and prosper, but still lack the skills, equipment, and funds to build facilities. An adequate scale. By an imaginative program of cooperation with Euratom we can combine European need with our capability and, thereby, achieve the peaceful utilization of atomic energy.

It is too early to predict, with any certainty, the practical course Euratom will follow from concept to realization. However, a clearer picture will emerge as the Euratom organization begins to implement the various international agreements and make its objectives a reality. It is the foundation of Euratom itself. Various aspects of this will undoubtedly be commented on at the Geneva Conference, and the action of our own Congress will certainly have a significant bearing upon the immediate program.
### Indications of Current Business Activity

#### AMERICAN ION AND STEEL INSTITUTE:

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#### AMERICAN PIGEON CORPORATION:

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#### CIVIL ENGINEERING CONSTRUCTION — ENGINEERING

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#### DEPARTMENT OF COMMERCE:

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#### Failures — Commercial and Industrial — Dec. 12

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#### Interstate — Average — Dec. 12

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#### Oil, Paint and Drug Price Index — 1940 Average — 100

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#### Steel Industry:

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#### Stock Transactions for O.N.O.—Account of O.N.O. Dealers and Specialists

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#### Wholesale Prices, New Series — U. S. DEPT. OF COMMERCE:

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#### 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, as of that date.
Texas Fund Assets At-All-Time High

Mr. W. T. Carter, III, President of Texas Fund, Inc., states in the November quarterly report that total net assets of Texas Fund had reached an all-time high of $35,267,456. In the 12-month period ended Nov. 30, 1958, net assets per share increased from $7.48 to $8.25, a gain of 26.9%, adjusted for the 20 cents capital gains distribution paid on Sept. 1, 1958. Mr. Carter further remarked that at the beginning of 1957, the shareholders had purchased $100 of Texas Fund on Sept. 1, 1949, when the share price was $2.20. Over this 8½ years, the dividends and capital gains distribution reinvested had more than doubled the initial investment of $100.

In May, 1958, the shareholders of Texas Fund purchased $100 of Federal Reserve Bank of St. Louis common stock. Since then, the stock price has more than doubled to $4.10.

Major portfolio changes included the addition of Jefferson Lake-Saltburg and Union Oil & Gas Corporation of Louisiana. Increase in common stock holdings were made in Arizona Public Service Co., Continental Public Service Co., Arkansas-Louisiana Gas, and Union Oil & Gas Co. of California. Dividends were increased in Gulf States Utilities; Oklahoma Gas & Electric Co.; Gulf Oil; and Texas Utilities.

E. D. Manucher Opens WEATHERIDGE, Colo.— Eugene D. Manucher is conducting a securities business from offices at 6901 West 32nd Avenue.

Form Mutual Fund Inv.
LOS ALMITOS, Calif.—Mutual Fund Investments has been formed as a California corporation. The drive to engage in a securities business is expected to be a principal of the firm.

THE Lazard Fund, Inc.
4 Wall St., New York 5, N. Y.

Initial Dividend
The Board of Directors today declared a dividend of 27 cents per share on the Capital Stock of the Fund payable January 15, 1959, to stockholders of record December 25, 1958. The dividend is payable from net investment income.

R. S. Tuazon
Treasurer

December 17, 1958.

Mutual Funds

By ROBERT E. RICH

Mutual Funds

Forecasts 30% Rise in Steel Output

The steel industry next year will not return to the level of十几 years ago that steel than in 1958, predicts the Milwaukee Company in its December bulletin.

Output in 1959 should amount to 110 million tons, the report says, compared with only 85 million tons produced in 1958.

Vastly improved inventory balances, plus high volumes of automobile demand, a swelling of new construction, volume and many new construction programs favor an improved outlook for the steel producers in the years ahead, the investment firm believes.

Consumption of steel is now little if any lower as one time and inventories are at a five year low. Steel consumers are starting to rebuild their supplies, the report, called "The Griffin Speaks," says.

The steel industry felt the recession primarily because of weak demand for automobiles, it says. However, better auto sales seem to be in the offing. Many consumers, who bought their cars on time in 1955 (the automobile industry is relatively dead as compared with 1950), have completed their payments and are ready to assume new auto loans.

The report points out that 17.9% of 1957 steel shipments (142 million tons) went to the automobile manufacturers.

"Probably the most assuring long-term growth factor favoring the steel industry is its construction in new industries," the report points out, explaining that this industry could reach 40 million tons by 1970, 5% higher than in 1957.

Steel makers have reduced their previous practice by recognizing the importance of competition and quality control. These together with new steelmaking techniques such as di-alloying have enabled the producers to reduce the cost of production, and to improve both the quality of the product and the life of the product.

Dean and Martin Steel have doubled their blast furnace capacity 1947, which is equal to or better than the record of the chemical, electronics, drug and other-growth industries, according to the report.

Franklin Custodian Funds

Franklin Custodian Funds, Inc.
64 Wall Street, New York 5, N. Y.

Please send me, without obligation, the Prospectus and other information concerning the Franklin Custodian Funds.

Name:
Address:
City:
State:

Get the facts on FRANKLIN CUSTODIAN FUNDS

Franklin Custodian Funds was the first mutual fund to offer a pension plan for society and its employees, as well as a variety of other investment products. The fund has a strong track record of performance and is considered one of the top-performing mutual funds in the industry. Franklin Custodian Funds offers funds for different investment objectives, including growth, income, and international. The fund was established in 1937 and has a reputation for stability and growth. It has been recognized by various industry awards and has a dedicated team of experienced managers.

American Business Shares

An Adjusted Balance Investment Fund

The Company invests in a portfolio selected by our professional management team to achieve a balance between stocks selected for capital appreciation and those selected for dividend potential.

Prospectus upon request

LORD, ABBETT & CO.

Milton Miller Opens

Milton Miller is engaging in a securities business at 305 Broadway, New York City.

Shearson, Hamill Office

P.A.M. SPRINGS, Calif.—Shearson, Hamill & Co. has opened an office in Palm Springs at 11 North Palm Canyon Drive under the direction of H. Daniel Whyte.
Securities Now in Registration

*Advanced Research Associates, Inc.*

*Aerosol Corp. of the South*
October 19 filed 100 shares of common stock (par $1.50), which are to be offered publicly and 10 shares of preferred stock (par $25) at $29 per share. Underwriters—To be named in registration statement. Proceeds—For working capital and general corporate purposes. Offered—N. Y. Underwriter.

*Al-Din Amusement Co., West Point, Ga.*
November 6 filed 200 shares of common stock (par $5), which is to be offered for public sale at $13 per share. Proceeds—For working capital. Offered—Philadelphia, Pa. Underwriter—First National Bank of West Point, Ga.

*American Asiatic Oil Corp.*

*American Enterprise Fund, Inc., New York*
October 30 filed 1,000 shares of common stock (par $10). Price—$250 per share. Proceeds—To be offered for public sale by underwriters at $250 per share. Proceeds—For workmen’s compensation insurance. Offered—N. Y. Underwriter.

*American Growth Fund, Inc., Denver, Colo.*

*American Security & Trust Co., of Illinois*
December 10 filed 12,880 shares of common stock issuable under stock option agreements authorized by the board of directors on August 24, 1936, and an additional 23,710 shares issuable under stock option agreements exercisable commencing Jan. 3, 1960. The 15,698 shares are issuable to key employees of subsidiaries of the company entitled to purchase shares pursuant to option warrants issued in 1956, and the 23,710 shares are issuable to key employees of subsidiaries entitled to purchase shares issuable pursuant to option warrants issued in 1957.

*American Mutual Insurance Co., Inc.*

*American Telsmal Service, Inc.*
February 17 filed 375,000 shares of common stock (par $1), with $4 per share to be paid in cash. Proceeds—To be used for working capital and supplies for for working capital and other corporate purposes. Offered—Salt Lake City Utah Underwriter—Am. Tel. & Tel., New York. Offered—N. Y. Underwriter—Formerly United States Telsmal Service, Inc.

*Architects & Builders, Inc.*
Dec. 9 (letter of notification) $20,500,000 of 6% 10-year convertible subordinated debentures due Dec. 31, 1968. "Vie—At par until Dec. 31, 1958, and thereafter plus accrued interest (in denominations of $100, $500 and $1,000). Proceeds—To pay in full mortgage indebtedness and 25% settlement with the company's creditors; for working capital and other corporate purposes. Offered—N. Y. Underwriter.
additions to property. Office—181 Elm Street, Biddeford, Me. Underwriter—None.

* * *

**Bridgewater Road Race Co.**
Oct. 17 filed petition for discharge of common stock (par $1) to be offered for subscription by stockholders of record Nov. 1, 1918. Price—$1 per share. Proceeds—To pay for improvements. Underwriter—Carrasco, Mo. Underwriter—None.

**Brooks & Perkins, Inc., Detroit, Mich.**
Nov. 25 filed 43,000 shares of common stock (par $1) to be offered for subscription by stockholders of record Nov. 30. Price—$1 per share. Proceeds—To be supplied by amendment. Proceeds—To pay for improvements. Underwriter—Kidd & Co., Detroit, Mich. Underwriter—None. Expect this week.

**Burlington Industries, Inc.**

**Campbell Chibougamau Mines, Ltd.**

**Caracas Oil Co., Ada, Okla.**
Nov. 10 (letter of notification) 200,000 shares of common stock (par $1) to be offered for sale to public at $1 per share. Price—$1 per share. Proceeds—To reduce short-term bank debt. Underwriter—None.

**Comex of Arizona, Inc.**
Nov. 17 (letter of notification) 300,000 shares of common stock (par $1) to be offered for sale to the public. Price—$1 per share. Proceeds—To use for general corporate purposes. Underwriter—None.

**Charles Town Racing Association, Inc.**
Sec. 4 filed 1,000,000 shares of common stock (par $100) to be offered to public. Price—$100 per share. Proceeds—For the acquisition and installation of live-betting machines; to be used for general corporate purposes. Underwriter—None.

**Checker Motors Corp., Kalamazoo, Mich.**
Nov. 7 filed 123,112 shares of common stock (par $1) to be offered for sale to public. Price—$1 per share. Proceeds—To be used for corporate purposes. Underwriter—None.

**Chemical & Iron Co.**
Nov. 14 filed 50,000 shares of common stock and 210,000 warrants to subscribe to a like number of shares of common stock. Price—$1 per share. Proceeds—For working capital and equipment, acquisition of prop- eries under option, and other corporate purposes. Underwriter—Dillon, Read & Co., Inc., Kuhn, Loeb & Co. and Lehman Brothers, all of New York.

**Cinema II Productions, Inc.**

**Colonial Aircraft Corp., Sanford, Me.**
Oct. 8 filed 2,527,928 shares of common stock for a price of $1 per share. Proceeds—To pay expenses of organization; for retirement of obligations and working capital purposes. Underwriter—Dillon, Read & Co., Inc., New York. Underwriter—None.

**Comfort-Craft, Inc.**

**Comme Oil Refining Co.**
Dec. 10, 1957 filed $33,000,000 of first-mortgage bonds due Sept. 1, 1968, 25 years, $200 per bond, 64% interest. Price—$100 per bond. Proceeds—To provide working capital. Underwriter—None. Expect this week.

**County Telephone Co.**
Nov. 17 filed 382,775 shares of common stock ($100) to be offered to public on or before Dec. 4, 1958, at the rate of one share for each $100 of stock. Price—$100 per share. Proceeds—To be used for corporate purposes. Underwriter—Brady, Keene, & Co., New York. Underwriter—None.

**First Mortgage Co.**
Nov. 12 filed 1,000,000 shares of common stock (par $1) to be offered for sale to the public. Price—$1 per share. Proceeds—To be used for corporate purposes. Underwriter—None.

**Fleetwood Motor Homes, Inc.**
Sept. 27 filed 50,000 shares of common stock (par $1) to be offered for sale to the public. Price—$1 per share. Proceeds—To be used for corporate purposes. Underwriter—None.

**Ford Motor Co.**
Nov. 17 filed 500,000 shares of common stock (par $1). Price—$1 per share. Proceeds—To be used for corporate purposes. Underwriter—None.

**Frisco Publishing Co.**
Nov. 15 filed 175,000,000 shares of common stock (par $1). Price—$1 per share. Proceeds—To be used for corporate purposes. Underwriter—None.

**General Electric Co.**
Nov. 4 filed 5,000,000 shares of common stock (par $100). Price—$100 per share. Proceeds—To be used for corporate purposes. Underwriter—None.

**Glacier Steel & Iron Co.**
Nov. 20 filed 100,000 shares of common stock (par $1) for cash. Proceeds—To invest in general corporate purposes. Underwriter—None.

**Gold Smelter Co.**
June 17 filed 100,000 shares of common stock (par $1) to be offered for sale to public. Price—$1 per share. Proceeds—To be used for corporate purposes. Underwriter—B. F. Hills & Co., New York. Underwriter—None.

**Goodman Office Equipment Co.**
Nov. 30 filed 1,000,000 additional shares of common stock (par $1). Price—$1 per share. Proceeds—To increase capitalization and to enable the company to pay dividends in the future. Underwriter—Dillon, Read & Co., Inc., New York. Underwriter—None.

**Greenhayes, Inc.**
Dec. 17 (letter of notification) 150,000 shares of common stock (par $100) to be offered to the public. Price—$1,000 per share. Proceeds—To be used for corporate purposes. Underwriter—None.

**Guaranty Trust Co.**
Nov. 17 filed 5,000,000 shares of common stock (par $1). Price—$1 per share. Proceeds—To be used for corporate purposes. Underwriter—None.
Continued from page 113

- Government Employees Variable Annuity Life Insurance Co. (1/20)

Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered for subscription by stockholders of record (1) to holders of common stock (par $4) of Government Employees Annuity Life Insurance Co., and (2) to holders of common stock (par $5) of Government Employees Life Insurance Co. on the basis of 1/10 warrants per share of stock held on Jan. 4, 1958. 1,268,370 warrants have been issued to holders of common stock (par $5) of Government Employees Life Insurance Co., on the basis of 1/10 warrants per share of stock held on Jan. 4, 1958. Net proceeds of the issue, after the charges of $12,500 for printing and general working capital, Office — 33-10 Astonia Blvd., L. I. C. N.Y. U. Underwriter—None.


Hogashale Drilling Co., Inc. June 12 filed 27,000 shares of capital stock. Price—$10 per share. Proceeds—to be used for the exploitation of oil and gas properties. Proceeds for 17,679 common shares. Office — 293 Park Avenue, N. Y. U. Underwriter—None.

Honeyaggs & Co., Inc., Fairbury, Ill. Nov. 7 filed 10,000 shares of common stock (no par) of First Honeyaggs & Co., Inc., on the basis of 1/10 warrant to purchase one share of stock of First Honeyaggs & Co., Inc., common held on Nov. 17, 1958; rights to expire on Dec. 31. Price—$2 per share. Proceeds—to be used for the expansion of the business. Office — 293 Park Avenue, N. Y. U. Underwriter—None.

Grand Union Co. Nov. 2 filed 100,000 outstanding shares of common stock (par $1). Continued being offered for subscription by stockholders of record (1) to holders of the 100,000 common shares, proposes to offer to its stockholders preferential warrants to subscribe for 1,000,000 shares of preferred stock (par $100) on the basis of one warrant to purchase one share of stock of Grand Union Co. common held on Nov. 17, 1958; rights to expire on Dec. 31. Price—$2 per share. Proceeds—to be used for capital and surplus. Office — Government Employees Building, Washington, D. C. N. E. Underwriter—None.

Group Securities, Inc., Jersey City, N. J. Dec. 10 filed (by amendment) an additional 5,000,000 shares of capital stock (par $100). Price—$50 per share. Proceeds—for general corporate purposes. Office — 293 Park Avenue, N. Y. U. Underwriter—None.

Guaranty Life Insurance Co. of America Oct. 15 filed 3,000,000 shares of capital stock (par $100). Price—$50 per share. Proceeds—to be used to acquire and invest funds as permitted by law. Proceeds for 3,000,000 shares. Office — 415 13th Street, N. W., Washington, D. C. U. Underwriter—None.

Gulf States Utilities Co. (1/19)


Gulf States Utilities Co. (1/13)

Dec. 17 filed 12,500,000 warrants of preferred stock ($100). Price—$2 per share. Proceeds—to be used for general corporate purposes. Office — 1400 Commerce St., Houston, Tex. K. Underwriter—None.


- Jewel Tea Company Dec. 10 (letter of notification) 3,335 shares of common stock, general and paid-in surplus, $212,500; 1,500 shares of preferred stock, $100 par, and 100 shares of 6% preferred stock, $100 par. Proceeds—for general corporate purposes. Office — 818 Eighteenth Ave., Paterson, N. J. U. Underwriter—None.


- Life Insurance Security Corp. March 28 filed 1,000,000 shares of capital stock (par $1). Proceeds—to be used for the acquisition of share control. Proceeds for 1,000,000 shares. Price—$1 per share. Office — 525 Broadway, New York City. U. Underwriter—None.
stockholders of record Nov. 24, 1958 on the basis of one new share for each five shares held; rights to expire Dec. 13, 1958, (price $1.40 per share). Proceeds—To reduce bank loan; to refinance warehouse and general corporate purposes.

**Atlantic Marina, Inc., Baltimore, Md.**
Oct. 28 (letter of notification) 3,560,000 shares of common stock (par $5.00). Proceeds—For construction of marina. Underwriter—Rutland, 2 E. 57th St, New York, N. Y. Underwriter—None.

**Seskolar Laboratoriecs, Inc., Calif.’s Francisco, Calif.**

**Military Publishing Institute, Inc.**
L. S. & Co.—Waldron & Co., New York, Inc. (letter of notification) 100,000 shares of common stock (par $1.00). Proceeds—For general corporate purposes and for working capital. Underwriter—None.

**Olin Industries, Inc.**
Nov. 12 filed $250,000 of 5% convertible debentures due 1980, being offered for subscription by common stockholders. Proceeds—To be held by the company. Underwriter—None.

**Federal Reserve Bank of St. Louis**
Digitized for FRASER

**Pioneer Trading Corp., Raynoune, N. J.**
Aug. 17 filed 400,000 shares of common stock (par $1.00) and $300,000 of 7% convertible debentures due 1958, being offered for subscription by common stockholders. Proceeds—For working capital and to establish a musical tent theatre and for working capital. Underwriter—Oppenheimer, 22 E. 57th St, New York, N. Y. Underwriter—None.

**Ponce de Leon Trotting Association, Inc.**
Aug. 7 filed 400,000 shares of common stock (par $1.00) and $100,000 of 6% convertible debentures due 1958, being offered for subscription by common stockholders. Proceeds—For general corporate purposes. Underwriter—S. H. Barney & Co., New York, Inc. Underwriter—None.

**Prairie Fibreboard Ltd.**
Aug. 18 filed 200,000 shares of common stock (par $1.00) and $250,000 of 7% convertible debentures due 1958, being offered for subscription by common stockholders. Proceeds—For general corporate purposes. Underwriter—Citicorp Securities Co., New York, Inc. Underwriter—None.

**Racine Financial Corp.**
June 26 filed $1,000,000 of 15% series A sinking fund notes due 1971, being offered for subscription by common stockholders. Proceeds—To pay the corporation’s expenses. Underwriter—American Israel Corp., New York, Inc. Underwriter—None.

**Realty & Theatre Ventures, Inc. (12/19)**

**Renco Corp., Orlando, Fl.**

**Richwell Petroleum Ltd., Alberta, Canada**
June 27 filed 4,000,000 shares of common stock (par $1). Proceeds—To pay the corporation’s expenses. Underwriter—S. H. Barney & Co., New York, Inc. Underwriter—None.

**Routh Robbins Investment Corp.**
Sept. 7 filed $125,000 of 10% convertible debentures due 1971, being offered for subscription by common stockholders. Proceeds—For general corporate purposes. Underwriter—None. Underwriter—Citicorp Securities Co., New York, Inc. Underwriter—None.

**St. Regis Paper Co.**

**San Diego Gas Co. & Electric Co. (1/8)**

**San Diego Imperial Corp., San Diego, Calif.**
Dec. 9 filed 945,000 shares of common stock, to be offered in exchange for outstanding shares of capital stock of F. J. Kreb Co. on the basis of 2,2 shares of San Diego Imperial for each 1 shares of F. J. Kreb Co. Proceeds—To be used to acquire the corporation’s capital surplus. Underwriter—None.

**St. Regis Paper Co.**

**St. Regis Paper Co.**
None.

Utah Oil Co. of New York, Inc.

Utah Power & Light Co.
June 19 (letter of notification) 10,000,000 shares of first mortgage bonds due 1989. Proceeds—To redeem $15,000,000 of first mortgage bonds, 5½% series due 1967, to repay $4,000,000 of other bonds, and to increase working capital. Proceeds will be used for the purchase of additional equipment and supplies; to improve facilities under the Utah Power & Light Co. bond refunding agreement with the Federal Home Loan Bank Board; to make deposits in a general reserve fund and for general corporate purposes. Underwriter—None.

Utah Power & Light Co.

Utah Power & Light Co.

Utah Power & Light Co.
(2831) 117

New York State Electric and Gas Co. March 7 It was announced that approximately $7,500,000 of first mortgage bonds on the gas and electric distribution facilities for the balance of this year. The amount will be made available to a group of banks and expected to sell during the remainder of the year or in early 1959, depending upon prevailing market conditions. The First Boston Corp., New York.

Norfolk & Western Ry. (12/18) Nov. 20, James D. Edgell, President, announced completion of the 99-year lease agreement with the Interstate Commerce Commis-sion, for the purchase of the right-of-way of the Baltimore & Ohio Railroad Co. in the Cincinnati, Ohio, area. The company has applied to the Interstate Commerce Commission for permission to acquire the right-of-way on which the Baltimore & Ohio Railroad Co., operates its passenger and freight service, and has applied to the Interstate Commerce Commission for permission to acquire the right-of-way on which the Baltimore & Ohio Railroad Co., operates its passenger and freight service.

North American Lines Inc. Nov. 20, James D. Edgell, President, announced the completion of the lease agreement with the Interstate Commerce Commission for the purchase of the right-of-way of the Baltimore & Ohio Railroad Co. in the Cincinnati, Ohio, area. The company has applied to the Interstate Commerce Commission for permission to acquire the right-of-way on which the Baltimore & Ohio Railroad Co., operates its passenger and freight service, and has applied to the Interstate Commerce Commission for permission to acquire the right-of-way on which the Baltimore & Ohio Railroad Co., operates its passenger and freight service.

Northern Illinois Gas Co. June 10 it was announced that the company plans to sell 10,000,000 shares of capital stock for the purpose of financing its operating and development program. The company will be capitalized on a 10-year basis with a par value of $100 per share. Proceeds—To increase capital and surplus. Underwriters—The First Boston Corp., New York.

Northern States Power Co. (Minn.) Dec. 12 it was announced that the company plans to sell 10,000,000 shares of capital stock for the purpose of financing its operating and development program. The company will be capitalized on a 10-year basis with a par value of $100 per share. Proceeds—To increase capital and surplus. Underwriters—The First Boston Corp., New York.

Pacific National Bank of San Francisco (1/13) Dec. 12 directors approved the proposed offering of 4,751,000 shares of common stock at $25 per share, with the rate of one new share for each three shares held. Proceeds—To increase capital and surplus. Underwriters—Blyth, York & Co., and Elworthy & Co., both of San Francisco, Calif.

Southern Fidelity Fire Insurance Co. April 24, 1959, it was announced that all probability will offer additional common stock to its stockholders in the near future. Proceeds—To expand operating facilities. Underwriters—None.

Southern Trust & Trust Co., Tulsa, Okla. Dec. 10 it was announced 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—To increase capital and surplus. Underwriters—The First Boston Corp., New York.

Southern Electric Generating Co. (5/28) April 24, 1959, it was announced that the company plans to issue and sell 25,000,000 shares of 30-year first mortgage bonds. Proceeds—To increase capital and surplus. Underwriters—The First Boston Corp., New York.

Southern Natural Gas Co. (1/20) Nov. 24 it was reported that the company plans sale of about 3,000,000 shares of common stock for the purpose of financing its operating and development program. Proceeds—To increase capital and surplus. Underwriters—The First Boston Corp., New York.

Southwestern Bell Telephone Co. July 10 it was announced that the company plans to issue and sell 3,000,000 shares of 30-year debentures. Proceeds—To refinance existing debt. Underwriters—The First Boston Corp., New York.

Stockton, CA. The company plans to issue and sell 20,000,000 shares of common stock. Proceeds—To increase capital and surplus. Underwriters—The First Boston Corp., New York.

Sun Dan, 1959, 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 financing. The bonds will be sold by book to private sale of 4½% bonds, to repay short-term bonds. Proceeds—For construction program. Underwriters—May be Morgan Stanley & Co. and The First Boston Corp., New York. Registration—Expected to be on Dec. 22.

First City National Bank San Diego, Calif. Sept. 18, 1959, a bank plans to offer to its stockholders of record Oct. 2, 1959, the right to subscribe for 150,000 additional shares of common stock (par $10) on a pro-rata basis. Proceeds—To increase capital and surplus. Underwriters—Lehman Brothers, Pierce, Fenner & Smith; Kidder, Peabody & Co.; and White, Weld & Co. (jointly).

First National Bank & Trust Co., Tulsa, Okla. (1/23) Nov. 25, it was announced that the stockholders of the First National Bank & Trust Co., of Tulsa, Okla., were granted the privilege of subscribing for 100,000 shares of additional capital stock (par $10) on a pro-rata basis. Proceeds—To increase capital and surplus. Underwriters—Merrill Lynch, Pierce, Fenner & Smith; and Kidder, Peabody & Co. (jointly); and White, Weld & Co. (jointly).

Florida Power Co. (9/10) Dec. 10, it was announced that the company plans to issue and sell $18,000,000 of 30-year debentures. Proceeds—To increase capital and surplus. Underwriters—Halsey, Stuart & Co.; Blyth, York & Co.; and Merrill Lynch, Pierce, Fenner & Smith.

Georgia Power Co. (4/2) Feb. 10, 1959, it was announced the company plans the issuance and sale of $20,000,000 of 30-year mortgage bonds. Proceeds—For construction program. Underwriters—To be determined by the company. Proceeds—For construction program. Underwriters—To be determined by the company. Proceeds—For construction program. Underwriters—To be determined by the company. Proceeds—For construction program. Underwriters—To be determined by the company.

Great Atlantic & Pacific Tea Co., Inc. Feb. 10, 1959, it was announced the company plans the issuance and sale of $20,000,000 of 30-year mortgage bonds. Proceeds—For construction program. Underwriters—To be determined by the company. Proceeds—For construction program. Underwriters—To be determined by the company. Proceeds—For construction program. Underwriters—To be determined by the company. Proceeds—For construction program. Underwriters—To be determined by the company.

Gulf Power Co. (4/2) Dec. 10, 1959, it was announced that the company plans to issue and sell $7,000,000 of 30-year debentures. Proceeds—For construction program. Underwriters—To be determined by the company.
of the transaction rests with the New York State Supreme Court. The New York City Supreme Court has ordered the jury's decision to be set aside, and the matter will be retried. Details of the retrial are expected to be announced by Jan. 16. Dealer-Manager—Harriman Bley & Co., Inc., New York.

Vita Food Products, Inc.

Dec. 3, it was reported that the company plans to issue approximately $20 million of new mortgage bonds to finance the expansion of its operations. Vita Food Products, Inc., New York. Registration—Expected in near future.

Wisconsin Power & Light Co.

March 27, it was reported that the company plans to sell $180 million of new first mortgage bonds. Proceeds—For construction program. Underwriter—To be determined. Marlborough-Banta Co., New York. Registration—Expected in near future.

Worcester Gas Light Co.

Aug. 3, it was reported that the company plans the sale of $500,000 first mortgage bonds. Proceeds—For construction program. Underwriter—To be determined. Probability Brokers, Inc., New York. Registration—Expected in near future.

Our Reporter's Report

The corporate new issue market is continuing to attract more and more money, and there's a growing stability in the market place. The market is beginning to anticipate something in the way of an attempt at a long-term correction.

The corporate market has been very active, and the primary market for corporate offerings has been doing well. Many of the recent new issues have been getting a somewhat improved reception. In fact, the last two or three days has witnessed a broad clearing away of portions of recent issues which had remained unsold.

Philadelphia Electric Co. recently offered up to 7,000 shares of new capital stock at the market a much-needed fillip. Carrying a 4.5% coupon rate and priced at $110, it had little trouble finding buyers. More than that the response accorded to the issue will serve to stimulate interest in the forthcoming new capital stock offerings.

Out-The-Window

Testifying further to the improved temper of the new issue market was the speed with which the Texas Gulf Gas Co. offering moved out to investors. The company's offering of $10 million of new bonds sold out at a 103.5 for a 4% interest rate. At the same time, National Gas Co. at a price of 101 for an indicated yield of 4.46% was going very well. The inquiry indicated that the bonds would be taken up quickly and the books closed. The New York Times.

The Security I Like Best

The President, Ezra L. Culver, is confident that the company will be able to raise money for the company for over 30 years. Some 50% of the outstanding shares are owned by the company, and with the company having a major stake in the business, the company will participate in this exciting growth industry.

Robert L. Smith Opens

ST. PAUL, Minn.—Robert L. Smith is engaging in a securities business from offices in the Pio- neer Building under the firm name of L. Smith & Co. Mr. Smith has been a partner in Smith, La Hue & Co.

New Fairman Branch

Burlington, Calif.—Fairman & Co. has opened a branch office at 126 East Olive Avenue under the direction of Lewis Ahmakan.

Rudolph Arkin Opens

WASHINGTON, D.C.—Rudolph Arkin is conducting a securities business from offices at 777 Fourteenth Street, N.W.

With Geo. V. Yates

CARMEL, Calif.—Allan D. Cook has joined the staff of George V. Yates & Co., Jorgenson Building.

San Garfinkel Opens

KEW GARDENS, N. Y.—Sam Garfinkel is engaging in a securities business from offices at 110-112 Queens Blvd.

Opens New York Office

Prime Investors Programs, Inc. has opened an office at 505 Fifth Avenue, New York City.

Now Swan-Rowley

Investing Corporation

JAMES TOWN, N. Y.—Swan-Rowley Investing Corporation has been formed with offices in the Bank of Jamestown Building to continue the investment business of Swan-Rowley Co. Inc.

With Lawson, Levy

SAN FRANCISCO, Calif.—Charles O. Doss is now connected with Lawson & Levy, 726 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.
Narda Ultrasomics
Common Stock Offered

Milton D. Blauher & Co. Inc. and
Michael G. Kletz & Co. Inc. as
joint managers of the underwriting
written yesterday (Dec. 17) offered 60,000 shares of The Narda Ultrasomics
Corporation's Common Stock at a price of $8.50 per share.

The company will receive no part of the proceeds from the sale of the stock. However, The Narda Ultrasomics
Corporation's Chief Stockholder, who is expected to take a sizable position in the company,

BY N. A. U. Corporation,

WASHINGTON, D.C. - The company was recently associated with

With Lamson Bros.

Chicago, Ill. - Leonard V.

Lamson & Co. Inc., 141 West

Jackson Boulevard, members

of the New York and Midwest

Stock Exchange. He was formerly with the Illinois

Canada National Pacific

Railway Company

Dividend Notice

At a meeting of the Board of Directors held today a final

dividend of several cents per share on the Ordinary Capital

Stock was declared in respect of the year 1958. Dividend Funds, totaling $27,250.00, have been set aside for dividend payment and will be paid to shareholders of record as of January 5, 1959, Saturdays, at the New York Stock Exchange. At the meeting of the Board of

Dividend Notice

Two With Frank Knowlton

(special to the Commercial Chronicle)

OAKLAND Calif. - Donald E.

Hoppe and Joseph F. McCullough,

are now with Frank Knowlton &

Co. of America, Los Angeles.

Both were formerly with National

Investment Corp.

Jiisn Oscar G. Werner

(special to the Commercial Chronicle)

PARADISE, Calif. - Russell G.

O'Connor has joined the staff of

Oscar G. Werner & Co., 3670 East

Colorado Avenue, Los Angeles.

With Merrill Lynch

(special to the Commercial Chronicle)

TOLEDO, Ohio - Robert D.

Johnson is now with Merrill

Lynch, Pierce, Fenner & Smith,

616 Madison Avenue. He was formerly with Goldman, Sachs &

Co. and Hayden, Miller & Co. of

Cleveland.

DIVIDEND NOTICES

The GARLOCK PACKING COMPANY

December 10, 1958

COMMON STOCK DIVIDEND

At a meeting of the Board of Directors, held this day, a quarterly dividend of forty-five cents per share on the common stock of the Company, payable December 31, 1958, to stockholders of record at the close of business December 17, 1958.

H. B. PIERCE,

Secretary

NATIONAL SHARES CORPORATION

A diversified closed-end investment Company

Dividends Number 127 & 128
October 31, 1958

126c per share

SPECIAL CAPITAL BARN DIVIDEND

70c per share

Both dividends are payable January 1, 1959 to stockholders of record December 24, 1958. Stockholders may elect to receive the Special Capital Gain Dividend either in stock, in the form of a capital stock dividend, or in cash. No fractional shares will be issued.

JOSEPH B. STOUT

Vice President and Secretary

PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

On December 10, 1958 the Board of Directors declared quarterly dividends, on the

Preferred Stock Series S-1-59

at the rate of $1.25 per share, payable January 15, 1959, to shareholders of record January 10, 1959, as follows:

Preferred Stock

$1.25 per share

42c per share

T. J. O'Connor

President, Treasurer

Montréal, December 8, 1958

Gerrit Hendriks, President

Inland Steel Company

(special to the Commercial Chronicle)

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WASHINGTON...And You

WASHINGTON, D.C.—Nearly everything on the economic horizon is promising for a turn in business in 1959. Sure there are some clouds, such as a potential steel strike and other labor difficulties, but the overall picture is much brighter than 1958.

A business conference outlook, conducted by the United States Chamber of Commerce, pointed for the press, brought out some facts about the nation’s businessmen, and the public community. A number of economists and experts in their respective fields participated in the conference.

If the experts are reasonably correct in their forecasts, and there is no reason to believe they are not, then there is a new era of growth ahead. It is underway right now, because “Queen Customer” is going to spend more. It means this will be the biggest on record for the nation’s department and specialty stores, with Yuletide sales at least 3% ahead of previous years.

What is responsible for the increased sales? J. Gordon Dattner, president of the National Retail Merchants Association, said that it is a result of personal income. Personal income at a peak: personal savings have been declining, numerous stores are advertising heavily and offering attractive terms, and a favorable calendar break gives the current holiday season 23 selling days, and 42 days between Thanksgiving and Christmas as compared with 37 and 45 in 1958.

In the grocery store across the land there is good news. The outlook is for a stable food price. There will be larger meat supplies this year when crops are harvested. Freezing in the Far South, there will be more fruit and vegetables. For a start, there is an apparent slight increase in some items due to generally improved growing conditions and packaging. However, the price of the raw products will apparently remain about the same as in 1958, in the opinion of Wallace N. Beery, chairman of the National Association of Food Chains.

Steel has been a long-standing problem. The industry is in a state of flux. The year 1959, for example, has been a year of both strength and weakness. The industry is expected to advance in 1959, but the drop has been considerably more than was forecast. In 1958 there was a drop of 40% to 45% to the expected heavy demands by the automobile industry. In 1959, the steel industry is expected to recover partially, but it will still be in a state of flux.

E. Sherman Adams, manager of the Steel Bankers Association, said that with productivity at a record high, expected to be appreciably higher in 1959, and credit demands appear ahead. The recovery from the 1958 recession is here to stay. There is likely to be a bit of a lull. Nevertheless, there are substantial credits for credit of all types of borrowers are expected to grow more than in previous periods. The States Treasury will be going to the market quite often throughout 1959.

Furthermore, as Mr. Adams pointed out, the outlook for a business conference, Treasury expenditures will exceed revenues even during the fiscal year ending next October. This will be the first year that this situation has been placed in the position of a year of World War II. The Treasury has some mighty big problems, on which the bank system is engaged. The banking system will be called upon to finance a major deficit in the Treasury budget, which means that 1959, bond market, interest rate and securi-
ties would increase.

Prospects for Heavy Industry

What is the outlook for steel? The Institute of Scrapp Iron & Steel is convinced the economy of 1959 will show improvement over the recession of 1958, which is not to be spectacular. The most recent report, published by William E. Story of the Institute of Scrapp Iron and Steel, is expecting the production of steel in 1959 to increase by 2,700,000 tons. Story forecasts its forecast of 4,500,000 tons, is looking for an even better year.

The appliance industry, which felt the effects of a steel strike is improving rapidly. Sales of refrigerators, freezers, ranges, and washers have been good. As a result, the appliance industry expects to see an increase in sales of 10% to 15% in 1959. This forecast is based on the expectation that there will be a 10% increase in the number of income earner in 1959. The appliance industry is projecting a growth of 10% in 1959.

Regardless of the amount of work, the appliance industry is facing a major problem: the shortage of labor. The appliance industry is predicting a shortage of labor in the range of 5% to 10% in 1959. This forecast is based on the expectation that there will be a 10% increase in the number of income earner in 1959. The appliance industry is projecting a growth of 10% in 1959.

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Bright Construction Forecast

The Associated General Contractors of America, through its president W. E. B. Dooley, after a survey of contractors in every state in the Union, states that the volume of construction in 1959 will increase by 10%. This increase is due to an increase in residential and industrial construction. Private construction, including residential, will increase by 10% to 20%, for a total jump of $20 billion. This increase will be in public construction, jump of $10 billion.

It is estimated that the 1959 dollar volume of construction will amount to about $22 billion. However, much of this construction will hinge on credit. This is particularly true relative to residential and industrial construction. Private construction, including residential, will increase by 10% to 20%, for a total jump of $20 billion. This increase will be in public construction, jump of $10 billion.

There was an expected deluge in construction in 1959, but the drop has been considerably more than was forecast. In 1958 there was a drop of 40% to 45% to the expected heavy demands by the automobile industry. In 1959, the steel industry is expected to recover partially, but it will still be in a state of flux.

The missile base program may increase military construction by $200 million. Expenditures by the Department of Defense is the largest in peacetime history, as it has been stated here before. There is no way of knowing if this will be a favorable one for growth. The economists express confidence that it will be a favorable one for growth.

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