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EDITORIAL

As We See It

Representative Wright Patman, an inveterate enemy of sound money, is assuring the country that he will have an opportunity this winter to make life miserable for the Federal Reserve authorities, and anyone else who has had anything to do with higher interest rates. He has long wished for such an opportunity, and he may get it this time. Virtually all influential members of his, the majority party, have paid their respects to all and sundry who put an end to the extreme monetary policies introduced by the New Deal and perpetuated by the Fair Deal. It is often difficult to know just how much of what ex-President Truman has to say is to be regarded as politics and nothing else and how much is to be taken as his real views and intentions. But he on more than one occasion has had a good deal of criticism to offer of those who caused interest rates to rise and is on record as favoring doing something about it now that his party is in control of Congress again and making ready for the 1960 elections.

Evidently, Federal Reserve authorities read the newspapers. The outlook has probably not contributed to their ease of mind, and naturally so. It is to the eternal credit of the Chairman of the Board of Governors that he has called in clarion tones to the public to see to it that the integrity of the dollar is fully protected. In doing so he has taken pains to expose some of the fallacies often indulged in by the easy money cranks in both parties, and warned of the consequences of policies which are about the equivalent of printing greenbacks. His is a tale of real meaning, and the words are strong. We have felt it our privilege as

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National Welfare Must Precede Private Gain

By HON. HARRY F. BYRD (D. Va.)*
Senator, United States Congress

Unless action is promptly taken, Senator Byrd predicts $300 billion Federal debt is in the offing and there will be a $400 billion Federal outlay in next five years—at the present rate. The Senator confesses he still cannot understand the President's $8 billion budgetary hike in January, 1957, following the two years when the budget was balanced, and warns of the dire consequences of deficit financing. He proposes a two-fold program for the coming new Congress consisting of budget balancing and organized labor reform measures. With regard to the former, he specifically calls for revaluation of military spending, sharp cuts in foreign aid and domestic-civilian expenditures, and, as for the latter, opposes ruling out state right-to-work laws and efforts to federalize unemployment insurance.

Harry F. Byrd

These are time when prudent men should analyze the changes which are occurring against the indisputable fact that free enterprise democracy is the source of this country's greatness. There is no doubt that developments such as those in atomic energy, rocketry, etc., have placed us upon the threshold of a new era. In addition, this country is experiencing great increase in population. While we may have unduly exploited our resources, they are still tremendous. Our productive know-how and capacity are yet unsurpassed.

These are elements on which free enterprise democracy should thrive, and proceed soundly and constructively for the good of all mankind.

Our free enterprise democracy is the greatest system the world has ever evolved. But there is one controlling requirement, and it must never be over-looked. The system is based

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*An address by Sen. Byrd before the Illinois Manufacturers' Association, Chicago, Ill., Dec. 11, 1958.

American Economy on The Threshold of 1959

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

A leading American economist's analysis of the important economic indicators draws the conclusion that the better business outlook may induce a modest business investment increase in 1959 and GNP will be about $468 billion—with end of the year annual rate at about $580 billion—in 1958 prices. Adds GNP in 1959 still will be well above 1958 should capital spending remain unchanged from 1958. Urges non-complacency towards Russia's economic projections and suggests three ways to step-up our slowing rate of increase in production and productivity. Disbelieves our prices will rise more rapidly than those abroad.

I. Summary

The expansion of the economy, which was seriously retarded by model changes in the automobile industry and by strikes in that and other industries in September and October, made good progress in November and December. The rise in the index of industrial production was the largest in four months and personal income and retail sales made new all-time highs. Employment in November dropped by moderately less than the seasonal amount.

Sumner H. Slichter

The drastic reduction in inventories that has been going on for over a year seems to be coming to a halt, though in October there was still a small drop in the book value of trade and manufacturing inventories. The ratio of manufacturing inventories to new orders is exceedingly low. Business is still in a cautious mood, and even expectations of substantially higher sales in 1959 had

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*This article on economic conditions in the United States was prepared for publication in Japanese in the Nihon Keizai Shimbun of Tokyo and made available to the *Chronicle* by Dr. Slichter.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 30.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Argus Corporation Ltd.—Edward H. Bradford, Vice - President-Research, F. W. Putnam & Co., Inc., Boston, Mass. (Page 2)

Hiawatha Oil & Gas Co. — Lawrence F. Smart, New Orleans, La. (Page 2)

EDWARD H. BRADFORD
Vice-President, Research,
F. W. Putnam & Co., Inc.,
Boston, Mass.

Argus Corporation Ltd.

"We buy only into situations which we believe have growth, and then see to it that the company has the money to grow . . ." so said E. (for Edward) P. Taylor, President of Argus Corporation Ltd., an investment company located in Toronto, Canada. It is basically for that reason that I selected Argus for this column as "THE MOST."

E. H. Bradford

There are other reasons and good ones. One of them is Canada itself. For years American investors have been scrambling after good Canadian stocks. They want "in" on the great growth in the north. Canada is the largest country in size excluding the "Iron Curtain" and has the highest birth-rate of any industrial country in the world. In Argus an investor can not only "buy Canada" but he can buy it through top management and he can buy at a 46% discount. In the deal he gets diversification, a large measure of inflation protection and he gets one of the lowest cost management charges on the books. Argus is listed on the Toronto Stock Exchange and is also traded in the States, "over - the - counter." The stock is suitable for any account capable of buying into Canadian situations and able to operate in moderately limited markets. Wherever growth is the investment objective, whether for an institution or an individual, Argus shares have outstanding appeal.

Glore, Forgan & Co., of New York, has written a detailed account of Argus, which will answer the most searching inquiry. Wiesenberger; Capital Gain Research Bureau, and Fortune Magazine have also given recent notices to the stock. My selection is almost like stealing another fellow's girl —except for the fact that "I saw her first." A customer called my attention to the stock four years ago and bought shares at 17⅝. The stock rose into the low twenties shortly after than and then went dead until the bottom dropped out, about a year ago, and down it went to a low of 12½ from which price it has recovered to present levels of 28 (Canadian dollars). Net asset value, however, is the "batting average" that most fund salesmen like to use. In this respect, Argus has had an impressive rise. Net asset value was $10.04 in 1948, and is noted at $52.07 in the latest Wiesenberger Investment Report Supplement of last November—a handsome 500% gain. Not only that, but the stock is selling at a discount of about 46%. This is the largest discount that I have seen among the funds or investment companies.

As an "Investment Company," Argus buys a sufficiently large block in a company to exercise some influence on management, but usually lacks control and rarely interferes with management matters. A close touch anu guiding hand is maintained, however, by the presence of an "Argus Man" on the board of each company in which an interest is held. Argus itself has four key officers and 14 directors. Although the American reader will not be familiar with such names as W. Eric Phillips; E. P. Taylor; N. Wallace McCutcheon; John Angus McDougald; and others on the Argus Team, they are among the best known names in Canadian industry and finance. Their influence is evidenced by the fact that at least one man of the Argus group sits on the board of 100 major Canadian banking, insurance, utility or industrial concerns. Through this group, the investment company has access to a flow of comprehensive information on investment opportunities across the width and breadth of Canada. The "Front Office" is all important in an enterprise such as this; and, in the words of the commercial jingle, Argus "has got it up front."

Among the Argus holdings are the cream of the Canadian **GROWTH** crop. The largest commitment, amounting to some 28 million Canadian dollars in market value is in Dominion Stores, a food chain sweeping Canada. Argus holds 385,000 shares of this stock or 24% of the outstanding common. **D. S.** sales have risen from $34 milion in 1945 to $311 million in 1957. Forestry, pulp and paper holdings include shares in St. Lawrence Corp., widely held also by Mutual Funds specializing in Canadian investment, and British Columbia Forest Products. Further paper interest is also held through ownership of stock in Dominion Tar & Chemical which not only is a major building material company, chemical and detergent manufacturer but which owns a majority interest in the large Howard Smith Paper Mills, Ltd. Canadian Breweries, the largest brewery concern in the world is another interesting holding with important U. S. subsidiaries, one of which—Carling Ale —brought its bottling to "The Hub of the Universe"—Boston, Mass.—last year. Finally, Argus owns 1,500,000 shares of Massey-Ferguson Limited, which is not only the largest farm machinery company in Canada but vies with International Harvester for leadership in world markets.

Shares of the above are quoted on the Toronto or Montreal Exchanges. Argus, also, holds a minority interest in a very promising situation, which is not quoted on any exchange and which, consequently, is shown only at book of $1.8 million, although the real value is, obviously, far above that figure. This holding is Canadian Equity & Development Company, which, in turn, owns the Don Mills with a Toronto Shopping Center. Toronto incidentally, is reputed to be growing at a faster rate than any city in either the United States or Canada.

Argus lives on the dividends paid it by its investments, but grows through its equity in the earnings of these holdings. From dividends, Argus will receive approximately $1.40 per share this year; and, on the basis of this, has raised its 20-cent quarterly dividend to 25 cents within the last quarter. To a "growth" investor, these figures are without significance since equity in investment holdings is the controlling factor. In a ten-year record, Argus has raised its equity-investment earnings from about $2.8 million in 1948 to $5.9 million in 1957. This year, the figure will be about $6.5 million, close to the 1956 high. After provision for preferred dividends, "E-E," or equity earnings, will come to approximately $3.80 per Argus common share.

The paper stocks, St. Lawrence and British Columbia, dropped off in a temporary cyclical decline; but Dominion Stores and Massey-Ferguson moved sharply ahead. The latter turned a 1957 loss to an estimated 1958 profit of $10 million. Since Argus holds 1,500,000 shares, the 90-cents per share Massey profit spelt a positive of $1,350,000 for the investment company's "kitty" this year. The Argus Report for the fiscal year ended Nov. 30 will be releasec between the time of this writing and publication. It should be consulted for verification of the estimates shown here.

As trimming to the cake, two incidentals should be noted, of which the first is the fact that, unlike many investment companies, Argus operates at low cost. Glore, Forgan's study shows a cost figure for 1957 of only 0.24% of average net asset value and 4.75% of total income. Comparisons are said to be odious and so I shall generalize by saying that these costs are startingly lower than costs of representative mutual funds or closed-end trusts. A second and significant point is that Argus is highly leveraged. Capitalization includes $15 million, 3½% notes and a total of $15 million in two preferred issues, of which half, the Series "A," is convertible into common. There are 1,370,272 shares of the latter, which, on conversion, could bump to 1,703,605 shares. The capitalization is not conservative; but, for those who like the Argus management, the discount—the stature of the holdings—and the future of Canada, leverage is a free ride on cloud nine to the Northern Lights.

LAWRENCE F. SMART
Investment Securities,
New Orleans, La.
Member: National Association of Securities Dealers

Hiawatha Oil and Gas Company

Hiawatha Oil and Gas Company of Pittsburgh is run by the Benedums of Plymouth Oil who carved out quite a reputation for themselves in the oil industry. Mike Benedum, listed by "Fortune" magazine among the 76 Americans as having amassed wealth of $75,000,000 and up, found more oil than any man that ever lived (quoting the "Oil Daily" of Sept. 1, 1953).

Lawrence F. Smart

The alertness of the Hiawatha management is shown by held interests in 849,289 non-producing acres in 12 States, a great part being in the Rocky Mountain area, Utah, Montana, Colorado and Wyoming, which spread was laboriously obtained by astute oil men.

Hiawatha's net 1957 production amounted to 605,221 barrels of oil in nine States and 2,441,867,000 cubic feet of gas in three States with an additioinal 43,591 barrels of distillate. In the main produc-

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Outlook for the Bond Market

By C. RICHARD YOUNGDAHL*
Vice-President, Aubrey G. Lanston & Co., Inc., N. Y. City

Specialist in Federal securities analyzes present interest rate situation and its future outlook in his appraisal of past, present and future bond prices. In so doing, Mr. Youngdahl disagrees that the Fed should support and switch to long-terms, termed "flexible guidance" by its advocates, when prices fall, and points out that such "flexible pegging" could have undone maturity—lengthening achieved in first half of 1958 and have countered Fed's anti-inflationary efforts. In the absence of easier money and a business decline, the Banker predicts: (1) continuing money market pressure due to the unsatisfactory budget situation; (2) no significant long-term interest rate decline due to Treasury's financing needs; and (3) protection against long-run depreciation of the dollar and bond price fluctuation may cause Treasury to raise longer term rates higher than a casual view might suggest.

Last summer a collapse of bond prices and a drastic realignment of interest rates caused many students of the money and capital markets to wonder whether we had thrown away the rule book. Certainly most of the old norms, or accepted relationships, between credit policy and the level of interest rates seemed badly twisted, if not altogether broken. More recently we have worked back a bit toward a more usual pattern but even today the interest rate structure does not fully conform to what we used to regard as normal, considering the prevailing level of economic activity and the current posture of Federal Reserve policy.

C. Richard Youngdahl

What are some guideposts for appraising the future of bond prices, or at least as to how they might move under certain assumptions about business and credit developments? To do that, we need to consider first how we got where we are now, partly to help us understand where we are and partly to help us refurbish the tools for judging what lies ahead in credit markets.

Lender Attitudes Last Spring

Let us begin with the situation in the money and capital markets as it was last April and May. At that time the latest available business indicators showed a rapidly declining level of economic activity. It was widely predicted that business would deteriorate further and that at best there would be a leveling-off period over the summer and fall. The average economic savant put any upturn a convenient six months or so in the future.

The money market had been treated to a succession of easing moves by the Federal Reserve System, and it was widely regarded as reasonable to expect more of the same. Specifically a reduction in reserve requirements was happily anticipated, perhaps over the Memorial Day holiday and if not at that time, then to meet the currency drain and Treasury financing needs of early July. Loan demand was weak at commercial banks, particularly in the money centers, and there was worry about further declines. To be sure, this reflected some finding of business loans as new issues in the capital market continued at a remarkably high level. But there also was concern among investors that the pace of new corporate issues would not hold over the summer. Everybody knew there would be a big Federal deficit to finance, although few expected it would be as big as 12 billion or more. Yet there seemed to be little concern about its impact on the money and capital markets. It was generally assumed that the Federal Reserve would supply commercial banks with the reserves to take care of the Treasury's needs, in view of the serious decline in business and the aggressive policy of credit ease.

In these circumstances, lenders as a group found it easy to decide to overextend investment maturities and to defer rebuilding their liquidity positions until later, when money was expected to be even more plentiful and intermediate and longer-term interest rates still lower and less attractive.

The Treasury's need to reconstitute the maturity structure of the debt meshed with this widespread point-of-view. From November, 1957, through June, 1958, the Treasury issued over $26 billion of securities maturing in over one year, of which $3.5 billion matured in over 16 years.

Commercial banks lengthened drastically the maturity of their government portfolios during this period. In 1957, bank after bank had vowed never again to be caught in the illiquid position in which they found themselves at that peak of loan demand. Yet in the first half of 1958, they went along with each Treasury refunding or cash offering, leaving until later the accumulation of an adequate position in money market securities. Moreover, they even invested what was admittedly "hot" time money in the intermediate sector of the Government market. Last spring it was often asked rhe-

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*An address by Mr. Youngdahl before the Michigan Bankers Association Study Conference, Ann Arbor, Mich.

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Split Personality Of the Bull Market

By DR. IRA U. COBLEIGH

Enterprise Economist

Containing some topical observations on recent stock splits; together with a list of possible candidates for similar financial fission in 1959.

The 1958 stock market has, indeed, been a remarkable phenomenon. While, at the start of the year, many statistical savants saw little but corporate plodding in the offing, the actual result was a resurgence from recession of epic proportions, carrying the Dow-Jones Industrial Averages to new highs, and attracting to the equity market tens of thousands of new participants. Not only has the market kept itself busy setting new altitude records, but it has been equally diligent in trying to disprove a time honored axiom, namely, that the whole is equal to the sum of its parts. For, in truth, when a number of companies decided to divide their shares 2 for 1, 3 for 1, or even 10 for 1, the market proceeded forthwith to scrap the axiom, and to prove, marketwise, that the whole is less than the sum of its parts. Two new shares miraculously became worth more than one old one; and investors began to conclude, almost automatically, that a stock about to split was a stock about to rise.

Ira U. Cobleigh

How It All Started

Well, how did we ever arrive at such a cockeyed mathematical concept? Who decided that stock splits were a good thing in the first place? To answer that you have to back track in history 276 years. In 1682 in Merrie England, the East India Company had had a prosperous year, and the management decided to declare a 100% stock dividend, undoubtedly the first on record! A couple of centuries went by before stock dividends or splits became fashionable, however; and a milestone in the life of this financial mink was a Supreme Court decision in 1922 declaring stock dividends non-taxable. Following that, stock dividends became important in financial policies of many corporations. From 1923 to 1933, North American Company paid 2½% quarterly in stock; Cities Service Co. paid 6% in stock and 6% in cash from 1925 to June of 1932; and in 1926 Texas Pacific Land Trust shares were split 100 for 1.

The next volume period of stock dividends or split-ups was in the 1936-38 era when the practice attained vogue as a means of avoiding the bite of the undistributed profits tax. And in the mid-fifties, 1956 to be specific, the proliferation of shares became high, financial fashion, with 56 issues, listed on the New York Stock Exchange, splitting their stocks 2-for-1, or more so.

Certain features of stock extras should be made clear:

(1) In true stock dividends, a slice of surplus is transferred to capital stock account.

(2) Split-ups were originally accompanied by a reduction in par value.

(3) Nowadays, with no par value common, there's virtually no technical difference between a stock dividend and a split-up.

A Bullish Phenomenon

In any event stock extras are a bullish phenomenon. They flourish only in rising markets, and usually occur in highly prosperous companies. While actually a stock split-up gives the stockholder nothing he does not already possess (except a larger number of shares), it does convey to him:

(A) Evidence of corporate prosperity.

(B) Balance sheet recognition of an increase in corporate earnings and net worth.

(C) Usually a considerable retention of net earnings and reinvestment of same in the company.

(D) Managerial optimism that dividends can be sustained on a larger number of shares.

(E) The announcement or implication of a forthcoming increase in total amount of cash dividends.

Thus it is that we find stock dividends and splits being molted by quite profitable and growing companies in the up-phases of business cycles; and we usually observe strong market action in company shares both before and after a split. This is due in part to the generally bullish market climate—the old stock might have gone up anyway—and partly because the new shares wind up in a lower and more popular price range attracting thousands of new investors whose buying propels the shares further upward.

Year of Financial Fission

This year will go down in history as a famous one for financial fission. Food Machinery and Chemical Corp., split 2-for-1; Parke-Davis, Kroger Co. and Addressograph-Multigraph all split 3-for-1; Atlantic and Pacific, 10-for-1; and Upjohn, 25-for-1. And, of course, the daddy of them all was the gigantic 3-for-1 split in American Telephone and Telegraph. "They said it couldn't be done!" For 37 years that $9 dividend had been a fixture. Even though "T" had been a high priced stock, it seemed to belie the argument that shares should sell in a lower trading range to attract stockholders since, at 200, "T" had more stockholders (1,626.000 total) than any other corporation in the world.

Why Telephone Split

Fashion and logic prevailed, however, and the A. T. & T. directors decided to split the stock for the standard reasons—to make its shares attractive to more investors, thus broadening the market for its stock. It should boost the stockholder total past 2 million by the end of 1960, and provide a vast reservoir of capital for the huge financing program of this, you'll pardon the expression, "bellwether" utility. Since the end of World War II, A. T. & T. has raised over $12.5 billion in new capital for plant expansion; and it will surely need that much again in the next decade. The recent action of the directors (and the stock) and the 10% rise in dividend, is calculated to make old and new shareholders very happy; and eager subscribers to future security offerings.

A split of such magnitude does present some practical problems. Thousands of less knowledgeable shareholders will get the idea that their dividends, as well as their certificates, are to be trebled; and some will be a little baffled when they see their stock trading at 75 instead of 225. And think what a mountain of paper work is involved in printing, registering and mailing out two additional shares for each share now owned. After it's all over, A. T. & T. will rank third in respect to shares outstanding with 211,000,000. (First in General Motors with 282,000,000 and second Standard of New Jersey with 214,300,000.) And, finally, there is a considerable feeling that $3.30 a share is not the sort of dividend rate to string along with for the next 36 years. $3.50 would look better, and bring the stock nearer to a 5% yield.

1959 Split Candidates

With all this topical discussion on the subject of splits, it would seem incomplete if we didn't say something about stocks likely to split in 1959. If the prospects of a split can so pleasingly activate and animate share prices, what are the likely candidates to choose from in today's market? Here's a partial shopping list: First the $500 beauties, International Business Machines and Rohm and Hass. Then, in alphabetical order, American Home Products; American Tobacco; Colgate-Palmolive Peet; Corning Glass; duPont; Eastman Kodak; Freeport Sulphur; Gulf Oil; Hercules Powder; Inland Steel; Lily Tulip Cup; Minneapolis Honeywell; Minnesota Mining; National Lead; Owens-Illinois Glass; Pacific Tel. & Tel.; Pittsburgh Plate Glass; Polaroid; Richfield Oil; Smith, Kline and French; Thiokol; Union Carbide; U. S. Gypsum; Vick Chemical; Worthington; Youngstown; and Zenith Radio. Omitted was the highest priced listed stock, Superior Oil of California, which some day will be, no doubt, split a la Upjohn, but probably not in 1959.

Now, no prophecy, warranty or assurance whatever is here offered that any of the above stocks will actually split in 1959. The list is merely culled from those issues selling at fairly high prices (mostly 100 or better) where trading markets tend to become wider and thinner, and where multiplication of outstanding shares would seem to serve a useful purpose and redound to corporate prestige. My random guess would be that certainly ten of the above will split next year, but which ones they will be I leave to your conjecture and to the dicisions of the various boards of directors.

The State of Trade and Industry

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

With the peak period of Christmas shopping at hand, sales volume the past week for the most part displayed noticeable improvement over the week before and slightly exceeded last year's level, notwithstanding inclement weather in many parts of the country and the newspaper strike in New York City.

On the industrial front last week automotive production was retarded by strikes and labor problems which affected assemblies at Chrysler Corp. and American Motors Corp., as well as truck output at Ford and International Harvester plants.

The result was a decline of 5% in output for the week. Electric energy output, however, in the latest week set a new all-time high record for the industry at 13,534,000,000 kwh. Lumber production was up by 4.4% but car loadings eased by 0.9% below the preceding week. Scheduled steel output for the week beginning Dec. 22, which includes Christmas Day is set at 68.2% of ingot capacity compared with actual production of 74.5% a week ago.

Layoffs in the construction industry and other outdoor activities caused by the onset of cold weather have been substantially less this month than a year ago, the United States Department of Labor reported.

The number of workers drawing unemployment insurance in the week ending Dec. 6, hit 1,944,100, an increase of 70,300, compared with a rise of 154,900 to a level of 1,876,900 during the corresponding week in 1957.

The department noted that initial claims, reflecting new layoffs, increased by 6,200 during the week ended Dec. 13 to reach 397,100. New claims a year ago increased by 17,000 to reach 413,000, indicating the early effects of the economic recession.

Insured unemployment in the week ending Dec. 6 was 4.7% of the labor force compared with a rate of 4.5% during both the previous week and the corresponding week a year ago, this agency concluded.

In the steel industry American steel mills are up against stiffer competition in the world market. They are not even safe in their own backyard, "The Iron Age," national metalworking weekly reports.

It is not only Russia that has United States mills worried. The Reds have not given them much competition as yet, but Europe and Japan are the more aggressive and the more immediate threat. The metalworking magazine noted that more steel men are being forced to think in terms of a global market.

They see their domestic wire market undermined by European mills which easily undersell them here at home and watch uneasily as Japan underbids them on a plate order from the United States Navy.

Steel mills here at home expect Russia to become more competitive in the world steel market. At the outset, this competition will be largely in the heavier steel products, such as plate and structural, but not in sheet and strip products.

Despite the recession, United States mills again produced more steel than any other country this year. Estimated output of domestic mills at 85,000,000 ingot tons was 15,000,000 tons greater than Russia's production.

Estimated world steel output by "The Iron Age" during 1958 at 297,000,000 tons, compared with 321,000,000 tons last year. United States production this year was less than 30% of the total compared with 35% last year and nearly 40% during the record year of 1955.

Russian output this year represented 70% of United States production compared to 50% in 1957 and about 43% in 1955.

One of the most interesting developments during the year, "The Iron Age" stated, was the operations bootstraps of Communist China. That country, it is reported, hoped to turn out twice as much steel this year as the approximate 5,000,000 tons produced in 1957. Much of this was achieved in "backyard" pygmy-size furnaces involving the labors of millions of Chinese workers.

Meanwhile, the American steel market is winding up the year on a note of strength. There are signs that a big stretch-out in order bookings will hit after the turn of the year.

This trade weekly declared that more steel users are making estimates now of their steel needs over the next nine months. The reason for this is the uncertainty over the outcome of negotiations for a new steel labor contract. The current three-year contract is scheduled to expire on July 1.

One steel executive is predicting that steel operations will average over 80% of capacity in the first half, "The Iron Age" stated. He feels also that at some time during the year, probably during the second quarter, the mills will be turning out all the steel they can make.

Preliminary United States Department of Commerce figures indicate the annual rate of Gross National Product in the current quarter hit a record of about $453,000,000,000, a gain of some $14,000,000,000 over the rate for the third quarter.

This annual rate of national product—the value of all goods and services—tops the pre-recession high of nearly $446,000,000,000 in the third quarter of 1957.

However, the department for the first time presented an additional measure of national product which cuts the current period's rate substantially below the $453,000,000,000 figure. This method, hailed as a major new economic indicator by the agency, adjusts the rate of national product to take out the effect of price increases on quarterly rates both in 1957 and 1958. It expresses the rate in what the Commerce Department calls "real" terms, that is, adjusted for price change, with 1957 as the base year.

Despite the indicated fourth quarter "current dollar" rate of $453,000,000,000, however, the estimated total national product

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Observations . . .

By A. WILFRED MAY

SPLITOMANIA REKINDLED

Counteracting any possibly constructive features of American Telephone's stock split is the dramatic fillip given to the Street's craze over this bull market phenomenon. Along with his chronic misinterpretation of the significance of such re-slicing of the shareholder's pie, the investor is misunderstanding the circumstances prompting this leading management's apparent following of the crowd.

A. Wilfred May

Value Factors Beclouded

Characteristic of the investment community's proclivity to overlook the truly crucial nature of earnings and dividends during periods of split mania, Telephone's indicated increase in the dividend rate and its support by a raised plateau of earnings-per-share are not being given sufficient comparative weight in evaluating the splitting operation. Studies of the actual effect on a stock's price course following its split taking the trend of the market into account including an analysis by this writer (in a series of articles published in the "Chronicle" Jan. 17 to Feb. 7, 1957), reveal that in the absence of a substantial dividend increase, a split, either actual or only rumored, causes a speculative flurry followed by the issue's "fading" down to or below its relative pre-split market position. Such fading, with uncomfortable results to the investor, has also been occurring recently in the case of still un-split former "split candidates" where the earnings have been sticky; such as Amerada 147 high in 1957, now 98 (in the face of the general market's big rise); Kennecott 147 in 1956, now 96; duPont 249 in 1955, now 201; Chrysler 101 in 1955, now 50; Allied Chemical 129 in 1956, now 92.

ATT's Favorable Value Eliminated

Justifying the favorable market performance of Telephone stock now at split-time and also possible permanent retention of its higher market level, is the 10% dividend rise in the context of the seasoning of its comparatively recently raised earnings. Net per share since 1955 has become solidified in the $13 range, and for the 12-month period ending Aug. 31, 1958, attained a new high of $13.53. Likewise constructively substantiating the dividend rise and favorable market response is the increase in the surplus per common share from $19.99 in 1955 to approximately $27 now.

Share Ownership Broadening Aim Not Controlling

The crucial benefit to the stockholders from financial factors as earnings-and-dividends rather than from mere share-splitting, has been fully endorsed by Telephone's management, in various current and past statements. Moreover, a permanent increase in shareowners from splitting, represented as its main attribute, has been regarded skeptically by this company. In the Notice of Annual Meeting of Stockholders in 1957 a stockholder's formal proposal to split the stock on the ground that it would "result in broadening the base of ownership because of lower price levels, which is desirable," was vigorously opposed by the directors with inclusion of their first-stated reason that "strong and consistent growth in the number of stockholders does not depend on stock-splits." They went on to observe that, stemming from sound financial policies, their company, although still "un-split," had 1,500,000 stockholders, or about 100,000 more than any other three corporations combined. The stockholder ownership base has since, in the intervening year-and-a-half, been further broadened to about 1,620,000 holders — two and one-third times that of split General Motors, well over triple Standard Oil of New Jersey, and quadruple General Electric shareholder family.

President Kappel, in his remarks from the floor of the meeting in denying the stimulus to ownership from splitting ("the experience of other companies indicates a split might cause a temporary increase, but that this would soon drop off"), further points out that despite the company's high price dollar-wise, "we also have many more share owners in proportion to our size than have the other most widely owned corporations. Thus, per million dollars of the market value of stock, we have 138 share owners, while the average for the five next most widely owned companies is 54 share owners per million dollars of market value."

Thus, it is evident that broadening the stock-ownership base cannot be deemed the controlling motivation for the split.

A specific factor in support of Telephone management's split decision is this company's quite unique constant expansion with enormous capital needs, whose financing through existing shareholders via rights offerings is thought to be stimulated by a split.

Another split-supporting factor peculiar to Telephone might be the "public relations" problem involved in a utility whose stock sells in the $200-range, particularly in the context of a dividend rise. While a split, of course, does not fool regulatory bodies, it may make rate and dividend increases more palatable to its consumers.

Unsound Reactions of the Investment Community

Responsibility for stock-split abuses lies not so much with the corporate managements, as with the investing community for its misunderstanding and speculative reactions. Such misunderstandings, ranging from the implied basic mathematical myth that increasing the number of its slices raises the size of the pie* to conclusions that a split overcomes a supposed scarcity of stock and market thinness, are revealed in currently published commentary on the Telephone split. The market record for the past two years shows that Telephone in 1956 ranged between a low of 165 and a high of 187 on a volume of 3,371,000 shares, and in 1957 between a low of 160 and a high of 179 in trading of 1,938,000 shares, a two-year average range above the lows of but 12¾% against a range of 18¾% concurrently registered by the Dow-Jones Average. Actually, last week's split-and-dividend action first made the market for this stock really thin and volatile.

"The Higher the Cheaper"

Above all, perhaps, in unfortunate results is the speculative excess imparted to the stock market by split excitement. A kind of split-propelled price *pyramiding* results. In the tendency toward generous discounting of growth, Blue Chips have in many instances boosted to prices reflecting very high price-earnings ratios. Thereafter they get an additional price boost through the concept that they are now all the more split-able, per the advisers' recurring rash of "split-candidate" lists. The higher they sell, the more split-able they become. That is, supposedly, the higher they sell, the more attractive they look—an investment absurdity!

The 40-1 price-earnings ratios attached to the IBM's and the Minnesota Mining's may possibly be justified; but if so, on a basis of value elements, real or imagined, which cannot include share certificate multiplication via prostitution of the multiplication table.

*Actually splitting costs the holder something in raising his equivalent brokerage commission expenses.

Reynolds & Co. To Admit New Partners

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 8 will admit John H. Kirvin, Henry H. Fahrig, Jr., James W. Cunningham, and Ralph E. Carpenter, Jr. to partnership. Mr. Cunningham will make his headquarters at the firm's Chicago office, 39 South La Salle Street. Mr. Fahrig is General Manager of the firm's Philadelphia office, 1526 Chestnut Street.

Now With Berwyn Moore

(Special to The Financial Chronicle)

LOUISVILLE, Ky. — Marvin H. Carlisle has become associated with Berwyn T. Moore & Co., Inc., Marion E. Taylor Building.

Merrill Lynch Firm To Be Corporation

Effective Jan. 12 Merrill Lynch, Pierce, Fenner & Smith, Incorporated, members of the New York Stock Exchange, will be formed. The firm's main office is at 70 Pine Street, New York City. Branches are maintained throughout the United States.

Officers of the new corporation will be Winthrop H. Smith, Chairman of the Board; Michael W. McCarthy, President; George J. Leness, Chairman of the Executive Committee; Harry B. Anderson, La Rue F. Applegate, Ned B. Ball, Ode V. Cecil, Victor B. Cook, James D. Corbett, William H. Culbertson, William H. Dunkak, Louis H. Engel, Jr., Darwin S. Fenner, William A. Forrester, Jr., Titus W. Fowler, Austin A. Graham, Homer P. Hargrave, Francis C. Hunter, Finley J. Iseman, Winthrop C. Lenz, Edward N. McMillan, Charles K. Marsico (member of the New York Stock Exchange), Gillette K. Martin, John H. Moller, Robert O'Connell, Joseph C. Quinn, Bernard B. Ramsey, Donald T. Regan, Dwight Robinson, Milija Rubezanin, Norman P. Smith, Wilbur F. Smith (member of the New York Stock Exchange), John F. Sullivan, Robert N. Suydam, Byron G. Webster, Kenneth H. Bitting, John C. B. Burch, Edwin O. Cartwright, Anthony D. Cassatt, Rudolph J. Chval, Russell Clark, J. Lowell Driscoll, James B. Dyer, Charles E. Fenner, Douglas C. Findlay, Samuel L. Fuller, George A. Garrett, Samuel I. Grodin, John J. Gurian, Joseph P. Henican, Jr., Edgar W. Kann (member of the New York Stock Exchange), Arthur L. Kerrigan (member of the New York Stock Exchange), Arthur S. Laundon (member of the New York Stock Exchange), Gus E. Ledbetter, Edmund C. Lynch, Jr., Lyman R. McFie, Milbank McFie, Herbert H. Melcher, James E. Merrill (member of the New York Stock Exchange), Allen A. Pierce (member of the New York Stock Exchange), Edward A. Pierce, E. Howard H. Roth, Caryl H. Sayre, Russell T. Stern, Norman Weiden, Manuel Weisbuch, Francis D. Willis and Richard A. Woods (member of the New York Stock Exchange), Vice-Presidents. Earle W. English will be Vice-President and Secretary; James E. Thomson, Vice-President and Treasurer; and Kenneth W. Martin, Vice-President and Assistant Treasurer.

Filmways Common Stock Offered By S. D. Fuller

S. D. Fuller & Co. offered publicly on Dec. 23 an issue of 154,000 shares of 25 cents par value common stock of Filmways, Inc. at a price of $4.75 per share.

For the past six years Filmways has been producing filmed television commercials, principally under contracts with advertising agencies; industrial and documentary films are also produced.

Of the shares being offered, 140,000 represent new financing. The remaining 14,000 shares are being sold for the account of Martin Ransohoff, President and one of the company's founders, who will continue to own 128,800 shares, or 29% of common stock outstanding after completion of the offering.

Proceeds to the company, together with $250,000 recently borrowed from a New York bank, will be used for additional studio facilities, video tape equipment and expansion of sales and production facilities. About $75,000 will be invested in the field of producing television film series and the balance added to working capital.

From billings of $469,526 in its Aug. 31, 1954 fiscal year, Filmways increased volume to $3,758,317 in the fiscal year ended Aug. 31, 1958. In these same periods, net income rose from $24,387 to $224,870. The latter figure is equal to 50 cents a share on the 447,986 shares which will be outstanding after this offering.

The Market Outlook

By AUGUST HUBER

Partner, Spencer Trask & Co., New York City
Members New York Stock Exchange

Partner in Wall Street investment banking house suggests caution and prudence in undertaking new common stock commitments at this time. While not doubting the long-term expansionary forces are strong, Mr. Huber comments on such things as the market's high level and enthusiasm which may have temporarily over-discounted the near future with regard to such factors as (1) price inflation's extent; (2) strength of corporate earnings, and extent of business improvement in 1959. While next year's economic activity will better that of 1958, it is likely, in Mr. Huber's view, to fall short of so-called "boom" proportions.

Despite a reaction of fairly substantial proportions in November, underlying market sentiment remained bullish. The reaction was followed by a rapid recovery to approximately the previous peak price. As measured by the Dow Jones Industrial Averages, the rise this year from 436 to a new all-time peak of 567, has been motivated by:

August Huber

(a) present business recovery; (b) anticipation of earnings improvement; (c) persistent buying on a long-term "growth" basis for capital appreciation, and (d) socalled hedging in common stocks against inflation.

With the market as measured by most recognized averages having recently reached the highest level in history, it is apparent that a virtual boom in business and corporate earnings is being envisioned. Should the present economic recovery, however, continue along lines more moderate than that generally anticipated, the present period of over-enthusiasm could have some of the wind removed from the sails. In such an eventuality, the present level of stock prices would be vulnerable to a downside correction. On an investment basis, we advocate caution and prudence in the approach toward new common stock commitments at this time.

I continue to look for further economic recovery in 1959. In attempting to reconcile the present all-time high level of stock prices with economic factors currently prevailing or anticipated for next year, we find:

(1) Industrial production (Federal Reserve Board Index 1947-49 =100) declined from a peak of 145 in 1957 to 126 in April. Production has recovered steadily to 141 in November and most current projections for 1959 look for an average of about 144.

(2) Gross National Product declined from an all-time high of $440 billion in 1957 to an estimated seasonally adjusted $436 billion in 1958, and for the final quarter of this year should be at about a $440 billion rate. The estimate for 1959 is placed in the area of $465 billion, a new record high.

(3) Increased government spending was strongly instrumental in reversing the downward trend of the economy this year. During 1959 government expenditures will continue at high levels, although providing less of a stimulus than in the 1958 recession year. The budgetary deficit in the next fiscal year should be reduced (higher tax collections and a smaller increase in budget spending) unless war crises develop.

(4) The important economic bulwark of plant and equipment spending by private industry does not promise to provide a strong stimulant to boom conditions. Over-all capital spending for new plant and equipment fell from $37 billion in 1957 to $30.5 billion this year and a similar rate is indicated for the first quarter of 1959. For all of next year the figure may improve to about $33 billion, or still $4 billion under 1957. Existing excess plant capacity is a prime factor. It is difficult to attain full-blown prosperity without a strong capital goods boom.

(5) Total construction—government forecasts of $52 billion for 1959, up 7% from 1958 may be a bit optimistic, but this industry should afford favorable support to the economy.

(6) Automobiles exert an important influence on the total scene of economic activity. The prospective level of consumer income and a better debt position, suggest an encouraging background for new car sales next year. It is still early to make definite forecasts as to the whims and inclinations of automobile buyers relative to new models. The real test in consumer acceptance of new models will come early next year. Present estimates for 1959 are around 5.5 million cars, up from a dismal 1958 sales level of about 4.4 million cars (370,000 are imported foreign cars). This would compare with 6.1 million cars in 1957 and 7.9 million in the peak 1955 year.

(7) The business picture as envisioned for the coming year, still will have as its background, hard selling and high-cost advertising in conjunction with fair pricing. Profits will depend on increased volume and increased efficiency to absorb costs.

(8) In general, the evidence supports the view that 1959 should be a better business year than 1958 but is likely to fall short of so-called "boom" proportions.

(9) From present indications we would estimate total 1959 corporate net earnings around $21-$22 billion. This would be up from the $17.5 billion estimated for 1958, equal to the $21.8 billion of 1957, and under the $23.1 billion registered in 1956.

It is not so much a question of being optimistic or pessimistic about the outlook for business for 1959, but more a question of being **realistic** about stock prices and their relation to earnings and dividends.

When we are observing any growing thing, whether it be a plant, an animal, or stock prices, it is recognized that more nourishment is required for sustenance as each grows taller, larger, or broader. If adequate nourishment is not forthcoming, deterioration normally sets in.

Will Earnings Sustain Stock Rise?

With the general market in the highest price area in history, the question is largely one of whether earnings improvement will be sufficient to sustain this high price level or at this stage to raise it appreciably further.

Currently, the Dow Jones Industrial Averages, simply to use one tool of measurement, is around 565, with 1958 earnings of about $27.50 per share. This is 20.5 times earnings.

At the *high* prices on the average for the five years—1953-57, the figure was 13.7 times. For the ten years, 1948-1957, the figure was 11.5 times.

If we grant that 1959 economic conditions will allow the restoration of the peak 1957 earnings of $36.08 per share, an increase of 30% over this year, the "averages" at 565 are already selling at 15.6 times such earnings.

Obviously, during periods of enthusiasm and exuberance, when the influences of anticipation and hope are strong in the market place, stock prices will sell at relatively high ratios to nearer-term earnings. In the process, however, the potentialities of the future are often discounted too far in advance, thus creating an interim vulnerability to a sizable market correction.

Dividends

In 1956 dividends on the Dow Jones Industrial Averages (including stock dividends) hit an all-time peak of $22.99 per share. The 1957 figure was $21.61 and 1958 should be about $20.00. At 565 the yield currently is 3.5%.

With 1598 earnings of about $27.50, the $20.00 dividend "payout" is 72%. The average "payout" over the past ten years was 59%.

It may be noted that (a) the 3.5% yield is historically low; (b) yields of over 4% are available on good-grade bonds; and (c) the relatively high 72% pay-out in 1958 mitigates sharp 1959 dividend increases despite the prospect of improved earnings.

Inflation

As a market factor, "inflation" would appear to be over-emphasized during this phase of the market. A large Federal budget deficit, and a resultant increased money supply is not to be minimized, *and the longer-term prospects suggest that a secular trend toward so-called creeping "inflation" is highly probable of continuance.*

The wide publicity given earlier to a prospective $12 billion Federal budget deficit probably stirred up inflation fears more than anything else. Yet deficit spending in itself does not automatically mean inflation.

For example, from the middle of 1952 to the end of 1955 deficit spending was large. The public debt rose $20 billion in that period. During that time the cost of living (113.5 to 114.7) and the wholesale price index (111.2 to 111.3) showed small changes. Corporate profits before taxes were $41.2 billion in 1951 and $42.5 billion in 1955.

In looking over the "inflation" of more recent years, we find that overall corporate profits growth has lagged.

First there is the excess plant capacity. So long as industry can produce considerably more than can be consumed, inflation as such will not be effective by itself in raising prices. For example, the automobile industry can produce 10 million automobiles instead of the 5 million or so now being produced. The steel industry can produce over 140 million tons of steel compared with the current rate of 100 million tons. There is excess capacity in aluminum. Surplus farm products which represent an annual problem of disposal. The oil industry is allowed to produce at the rate of only 12 days a month and imports are restricted or the market would be flooded. Similar capacity situations prevail in the fields of copper, lead, building materials, forest products, cement, etc.

The Federal Reserve Board more recently prepared an index (1947-49 = 100) measuring the country's **capacity** to produce basic materials—metals, textiles, paper, petroleum products, cement. Whereas productive capacity and actual output were closely

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Stock Market in the Coming Year

By WALTER MAYNARD*

Senior Partner, Shearson, Hammill & Co., New York City
Governor, New York Stock Exchange
Chairman of IBA Federal Taxation Committee

Mr. Maynard reviews the basic and more immediate position of the stock market, concludes it is not unfavorable, and indicates a few of the areas which he believes seem to offer good investment value. Summarizing the "inexorable forces in the economy" that will propel investment grade securities higher in 1959, the well known investment banker and analyst doubts our political bent will change so as to make cash or bond holdings preferable to stocks. Forecasts: rising corporate earning power for the next several years; increasing inflation-prompted demand for equities; and relatively low supply of stocks with improving earning power and quality. Mr. Maynard finds present foreign developments favorable to stock market, but anticipates companies doing business abroad will find their competitive problems increasing.

The fact that the stock market is now at peak levels, and that stock prices are not low by most past standards, makes the formulation of a forecast for the coming year a challenging assignment.

Walter Maynard

At a time such as the present it is especially important that we make sure that the basic underpinnings of our economic structure are sound, and will remain so, because the stock market reflects a great deal more than investment arithmetic — it reflects the hopes and fears of the world's property owners, and at the present time, unlike a year ago, hopes are clearly in the ascendant. Therefore any forecast, to be successful, must begin with an examination of a number of the basic factors on which these hopes must rest. Let us briefly look at some of these factors.

Outlook for Continued Peace

To begin with we should ask ourselves the basic question in world politics: will we have peace —even the troubled peace of recent years? War means low price-earnings ratios. A year ago the Russians had just launched their sputniks, and many people feared war. Today it appears that the pratical balance of power in the world, which is the best asurance of peace, has not been greatly altered by the sputniks, and the best opinion still holds that while the Russians will continue to make difficulties wherever they can, they will not provoke us to the point of war, and that the disorders that break out from time to time in the world's trouble spots will be successfully localized.

International Position of the Dollar

The next question that we should ask ourselves concerns the fundamental integrity of the dollar. Many questions have been raised in the past year, especially by foreigners, concerning the significance of the rather substantial gold loss which we have suffered. A sound dollar *vis-a-vis* gold in the international markets is the result of a balanced budget, a reasonable relationship between merchandise exports and imports, and an approximate balance of payments in international trade. Gold exports this year have resulted from a combination of factors, of which the most important may be our foreign aid programs (including military aid), exports of capital by industry, our national taste for travel, our enthusiasm for scotch whisky and a growing preference for convenient-sized automobiles. The readily controllable nature of these factors suggests that the fundamental position of the dollar need not at present be considered to be grave.

Rising World Trade

An even more important aspect of the world economic situation is that world trade is expanding rapidly, that the standard of living of underdeveloped areas of the world is rising, and the needs of these underdeveloped areas, in terms of the productive capabilities of the developed industrial areas are, in effect, insatiable. This means that companies which are able to operate effectively in world markets probably enjoy a distinct long-run advantage over those that are confined to the domestic market. The growing importance of world trade must be rated, for the purposes of our analysis today, as carrying substantially greater weight than the unfavorable aspects of our international position.

Future Competitive Problems

We probably shouldn't discuss the matter of the international position of the dollar on a note of complacency—we must accept the fact that in the matter of our *future* ability to compete in world trade we are faced with grave problems. Our labor costs are high and rising — if the recent election means anything it is that labor leadership will exploit its apparent increase in political strength to seek to accelerate the economic gains of organized labor at the expense of the rest of the population. Moreover our raw material resources are visibly dwindling, and already we are obliged to reach abroad for part of our requirements for such commodities as iron ore, copper and, to some extent, oil. It would seem that major efforts to improve our relative position may in time become necessary. It should not be forgotten, however, that our ability to perform valuable services in world trade, such as the export of capital and technological know-how, and the provision of banking facilities, can be greatly increased, and recent Congressional hearings on tax concessions for American corporations doing business abroad denote a rather general awareness of the necessity of maintaining our position in world trade.

Domestic Political Risks

In an allied area we should not forget that the stock market in the past has always been sensitive to political conditions—the punitive anti-business political atmosphere of the New and Fair Deal years created extraordinarily low price-earnings ratios. The aspects of possible political action that can be harmful to the stock market lie in tax policy, labor policy, and regulation, including anti-trust action, and these seem worth examining briefly.

In the realm of tax policy, Mr.

Continued on page 18

*A talk by Mr. Maynard before the Investment Analysts Society of Chicago, Dec. 18, 1958.

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Amounts	Housing Authorities Located in	Coupons	Maturities	Prices to Yield	Amounts	Housing Authorities Located in	Coupons	Maturities	Prices to Yield
$500,000	Baltimore, Md.	2 %	7/1/81	3.50%	$500,000	New York, N. Y.	2 %	1/1/81	3.55%
600,000	Chicago, Ill.	2⅜	6/1/86	3.60	350,000	New York, N. Y.	2⅜	1/1/83	3.55
500,000	Chicago, Ill.	2⅜	6/1/87	3.60	250,000	New York, N. Y.	2½	1/1/85	3.55
400,000	Cincinnati, Ohio	2½	7/1/91	3.60	800,000	New York, N. Y.	2⅜	1/1/86	3.60
100,000	Cincinnati, Ohio	2½	7/1/92	3.60	700,000	New York, N. Y.	2⅜	1/1/87	3.60
500,000	Cleveland, Ohio	2⅜	7/1/88	3.60	850,000	New York, N. Y.	2½	1/1/91	3.65
500,000	Cleveland, Ohio	2⅜	7/1/89	3.60	400,000	New York, N. Y.	2½	1/1/92	3.65
500,000	Dallas, Texas	2⅜	12/1/81	3.50	100,000	Newark, N. J.	2⅜	4/1/92	3.70
250,000	Dallas, Texas	2⅜	12/1/92	3.70	500,000	Newark, N. J.	2⅜	4/1/93	3.70
500,000	Detroit, Mich.	2½	6/1/84	3.55	500,000	Newark, N. J.	2⅜	4/1/94	3.70
500,000	Detroit, Mich.	2½	6/1/85	3.55	200,000	Puerto Rico	2⅛	6/1/90	3.75
300,000	Detroit, Mich.	2⅜	6/1/86	3.60	200,000	Puerto Rico	2⅛	6/1/91	3.75
500,000	Detroit, Mich.	2½	6/1/91	3.65	100,000	Puerto Rico	2⅛	6/1/92	3.75
450,000	Detroit, Mich.	2½	6/1/92	3.65	250,000	Richmond, Va.	2⅜	8/1/79	3.40
300,000	Los Angeles, Calif.	2⅜	11/1/83	3.55	250,000	Richmond, Va.	2⅜	8/1/80	3.40
250,000	Los Angeles, Calif.	2½	11/1/88	3.60	250,000	Richmond, Va.	2⅜	8/1/83	3.50
400,000	Los Angeles, Calif.	2½	11/1/91	3.65	100,000	Sacramento, Calif.	2⅛	12/1/90	3.70
400,000	Los Angeles, Calif.	2½	11/1/92	3.65	125,000	Sacramento, Calif.	2⅛	12/1/91	3.70
500,000	Los Angeles, Calif.	2½	11/1/93	3.70	125,000	St. Paul, Minn.	2⅛	8/1/89	3.65
200,000	Los Angeles, Calif.	2½	11/1/94	3.70	130,000	St. Paul, Minn.	2⅛	8/1/90	3.70
200,000	Mayaguez, P. R.	2½	6/1/90	3.70	130,000	St. Paul, Minn.	2⅛	8/1/91	3.70
300,000	Mayaguez, P. R.	2½	6/1/92	3.70	190,000	San Francisco, Calif.	2⅛	8/1/89	3.65
400,000	New York, N. Y.	2⅜	1/1/80	3.50	200,000	San Francisco, Calif.	2⅛	8/1/90	3.70

(Accrued interest to be added)

Bonds of each issue are callable ten years from their respective issue dates and thereafter at an initial price of 104. Complete details may be obtained from any of the undersigned.

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Smith, Barney & Co. **Shields & Company** **Goldman, Sachs & Co.** **R. W. Pressprich & Co.** **Bear, Stearns & Co.**

Equitable Securities Corporation **Stone & Webster Securities Corporation** **White, Weld & Co.** **F. S. Smithers & Co.**

December 24, 1958.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter No. 44—Discussion of projects for nuclear propulsion of rockets and earth satellites with particular comments on **Tracerlab, Inc.** and **Combustion Engineering**—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Auto and Associated Industries—Review—Purcell & Co., 50 Broadway, New York 4, N. Y.

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

Canadian Business Trends—Review—Bank of Nova Scotia, Toronto, Ont., Canada.

Drug Stocks—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **Carborundum** and **New York Air Brake.**

Electronics at Home — Domestic uses of electronic items—National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.

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

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

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

Oil Stocks for Long Term Appreciation — Circular — Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill.

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

Treasure Chest in the Growing West—Booklet describing industrial opportunities of the area served—Utah Power & Light Co., Dept. K., Box 899, Salt Lake City 10, Utah.

Victims of Tax Selling — List of 45 selected common stocks which appear to fit this category—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

World Trade and U. S. Gold Reserves — Discussion—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

* * *

Alaska Airlines—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

American Marietta Company—Report—Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Arizona Public Service—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Celotex Corporation, Continental Can Company, Inc.,** and **Gulf Oil Corporation.**

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

Central Louisiana Electric—Memorandum—Robert W. Baird & Co., Inc., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

Foremost Dairies, Inc.—Report—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

General Precision Equipment—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Georesearch, Inc. — Memorandum—Metropolitan Dallas Corp., Vaughn Building, Dallas 1, Tex.

Jantzen, Inc. — Memorandum — Muir Investment Corp., 101 North St. Marys, San Antonio 5, Tex. Also available are memoranda on **Marquardt Aircraft Co., Nationwide Corp.,** and **Piedmont Natural Gas Co.**

Lake Ontario Portland Cement Co.—Circular—Price, McNeal & Co., 165 Broadway, New York 6, N. Y.

Nortex Oil & Gas Corp. — Analysis—Carothers & Company, Inc., Mercantile Bank Building, Dallas 1, Tex.

Ohio Oil—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y.

Providence Washington Insurance Company—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Rockwell Manufacturing Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Rohr Aircraft Corp.—Memorandum—Walston & Co., Inc., 74 Wall Street, New York 5, N. Y.

A. O. Smith Corporation—Review—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Southern Natural Gas Company—Bulletin—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Southern Union Gas Co.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **U. S. Life Insurance Co.**

Southwest Gas Producing Co.—Memorandum—Shumate & Co., First National Bank Building, Dallas 2, Tex.

Strategic Materials Corporation — Study — Candee & Co., 44 Wall Street, New York 5, N. Y.

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

Sundstrand Machine Tool Co. — Memorandum—The Illinois Company, 231 South La Salle Street, Chicago 4, Ill.

Union Carbide Corporation—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Crown Cork & Seal Company, Inc.**

United States Steel Corporation—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a bulletin on **Robertshaw Fulton Controls Company.**

Universal Consolidated Oil Company—Report—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

White Motors—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Philco.**

Bituminous Coal in 1959

By GEORGE A. LAMB*

Manager of Business Surveys
Consolidation Coal Company, Pittsburgh, Pa.

Coal economist believes the market for United States bituminous coal probably would increase to 450 million tons in 1959, compared to about 421 million tons in 1958, but that the economic uptrend in the industry would be less than the general improvement expected in the nation. Mr. Lamb attributes 1958 decline to decreased activity in steel and exports.

Unlike general industrial activity, which already has returned to near-full recovery and likely will advance to a new peak in 1959, the bituminous coal consumption-export total will climb next year to get back only half of the tonnage it lost in 1958.

George A. Lamb

It is estimated that consumption plus exports in 1959 will total 450 million tons, 8% under 1957 but 7% above 1958. The consumption-export level was 490 million tons in 1957, and will approximate 421 million tons in 1958 based upon year to date figures. Mine production has lagged 16 million tons behind the consumption-export total in 1958, resulting in a shrinkage in stockpiles and coal in transit.

This 1959 estimate falls close to a trend line that shows gradual growth for bituminous coal use. The figure of 450 million appears to be comparatively low taken by itself because the years 1955 to 1957 had larger tonnages. But the years 1955-57 had unusual occurrences caused mainly by (A) rapid completion of electric power facilities connected with an Atomic Energy Program that raised coal consumption by over 20 million tons; and (B) the sudden increase in overseas exports to record volumes due to European fuel needs together with the threat to fuel oil supply caused by the Suez crisis.

*An address by Mr. Lamb before the Fifth Pitt Conference on Business Prospects at the University of Pittsburgh, Pa.

Blames Steel Decline

The drop in the U. S. consumption of metallurgical coal accounts for the largest tonnage loss in 1958, and its magnitude was unforeseen. A year ago it was estimated that steel output in 1958 would be down but only to the extent of decreasing the use of metallurgical coal by four million. It now looks like steel activity will fall 25% and the consumption of metallurgical coal will drop 31 million tons. In turn, higher steel activity will account for a substantial part of the increased coal consumption in 1959. Steel presently is back to its 1957 rate and probably will approximate that pace next year, which will push metallurgical coal consumption to 107 million tons.

The electric utility industry, coal's largest customer, will increase its power output by 2% in recession 1958. Its use of coal will decrease, however, as hydro favored with an abundant water supply, and excess fuel oil and natural gas offered at dump prices, capture larger shares of the power generation. In 1959, it is figured that utility steam generation will advance 10% to require 163 million tons of bituminous, 10 million tons more than in 1958 but only six million tons above 1957. This is estimated upon the premise that there will be advances in thermal efficiency while oil and gas make further gains as fuel supplies for power generation.

Left among the consumer groups are the railroads, other industrials and retailers. Coal burned by the railroads will go from eight to four million tons between 1957 and 1958. The steam locomotive is nearly extinct and what is left of the railroad business is largely tonnage for powerhouse and station use, the volume of which will change little next year.

Coal consumption by the other industrials will be 101 million tons in 1958, down four million tons from last year. It is expected to be 103 million tons in 1959.

Shipments to retailers have had little change in 1958. Next year, they will total 32 million tons, a fall of 8%, reflecting additional oil and gas competition.

Notes Decreased Exports

Although U. S. bituminous coal consumption is to increase, a further slide in tonnage is due for coal exports because of a slow overseas market. Next year, Canada will take 16 million tons, a gain of three million tons but overseas points will want no more than 25 million tons as against 38 million tons in 1958. Eighty-five percent of the overseas shipments move to Western Europe.

Industrial activity in Western Europe, which boomed between 1954 and 1957, had a slow up in 1958. The drop in fuel needs resulting from the industrial dip was accentuated by a mild winter and a drop in the tonnage of coal used for heating. With the European mining rate maintained, coal has been in abundant supply and the need for imports diminished. American exports to Western Europe in 1958 continued as high as they have because of long-term commitments previously made, and their volume has helped swell coal stockpiles that already were of record proportions at the start of 1958. Until these stockpiles are lowered considerably, Western Europe will want to limit imports to special grades of coal.

Late in the summer, embargoes were placed in certain countries of Western Europe on coal imports to be bought in the future. They do not apply on shipments already under contract which include the bulk of the shipments to Europe. This action was followed two weeks back by an announcement that the European Coal and Steel Community wanted to have its existing American coal contracts modified so as to reduce tonnage volume. The six nations of the Community buy over 80% of the American coal exports moved to Europe and, if efforts are successful in cutting imports, the American overseas movement will have substantial shrinkage in 1959.

The uncertainties in view add to the speculation that has been characteristic of the future of overseas coal shipments. Even with improved business conditions, which are likely, and perhaps a more normal heating load during the coming winter, Western Europe will have an abundance of tonnage during the first half of 1959 aside from premium metallurgical coals. In the circumstances it is estimated that overseas coal shipments next year will total 25 million tons, of which 20 million tons will go to Europe. The latter is only 40% of the shipments made to Europe in 1957.

Bituminous Coal Consumption and Exports
(million tons)

	1957	1958	1959
Electric utilities	157	153	163
Coke plants	108	77	107
Railroads	8	4	4
Other industrial	105	101	103
Total industrial	378	335	377
Retail deliveries	36	35	32
Total industrial and retail	414	370	409
Exports to Canada	18	13	16
Exports Overseas	58	38	25
Grand total	490	421	450

Rodman & Renshaw To Admit Two Partners

CHICAGO, Ill. — Rodman & Renshaw, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges, on Jan. 8 will admit Paul L. Hackbert and Ira J. Kaufman to partnership. Mr. Hackbert is Manager of the Municipal Department; Mr. Kaufman is Manager of the Investment Department.

F. I. du Pont Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Robert V. Ballard has been added to the staff of Francis I. du Pont & Co., 208 South La Salle Street.

What Puerto Rico Is Doing To Improve Industrial Climate

By HON. LUIS MUNOZ MARIN*
Governor of Puerto Rico

Puerto Rico's Governor specifies current steps his government is taking to further private industrial growth, and offers assurance of free labor-management negotiations with full protection for the rights and interests of all concerned. The Governor is proud of the securance of Federal Wage Review on a bi-annual basis; sees technological breakthrough in containership services by trailer ships and promises all out effort to obtain lower conference shipping rates; reports on increased communications and power investments and stepped up Development Bank activity to further induce industries; and promises prompt cooperation should labor gangsterism ever appear.

Economic progress has never been, anywhere, a smooth and easy achievement. Rapid social changes are often marked by conflict, and always call for a great degree of understanding and conciliation by all segments of society.

Luis Munoz Marin

Fortunately, in Puerto Rico the areas of conflict have been small in comparison to the rapid rate of our economic expansion. Certainly they have been, and are, far less than in the United States where the economy is not advancing at such an accelerated pace.

I would like to take this opportunity to review briefly what the government is doing to improve the industrial climate that is so important to growth. No one can contemplate the changes that have taken place since the present administration first took office without realizing how much of that progress is directly traceable to the efforts of government itself to encourage, promote and support private industry.

But I can never dwell for very long on past accomplishments without recalling the little Puerto Rican boy whose parents showered him with gifts at Christmas time. He was happy as could be playing with his toys until Three Kings Day when his older brother found him in a somber, pensive mood. "Why do you look so unhappy standing there among all your new gifts," he asked. "The gifts are nice, all right," said the youngster, "but now I'm worrying about whether I'll get anything for Three Kings Day."

Well, it's a perfectly human reaction. So let us allow the past to speak for itself and consider now some of the efforts that this government is making at the present time time to facilitate private operations, insure a fair return on your investments, and encourage still greater industrialization.

Explains Policies Aiding Private Industry

Never have any doubts that this is the attitude of this government. I think you will all agree with me that it should not constitute the sole and ultimate objective. The ultimate objective is today, as it was in the beginning, the eradication of poverty in Puerto Rico and the achievement of a decent standard of living for all the people. But we believe in industry, in intelligent management and in private investment as essential and honorable means to that end. I have no doubt that industry, too, feels that the end is well worth serving.

One of the most irritating problems of industry in Puerto Rico was the too frequent reviews of minimum wages. This government worked long and hard to correct that condition. When it appeared that the improvement we had worked for so arduously was to be delayed this year by the adjournment of Congress, I went to Washington myself to work for it. As you know, we were successful in getting the Federal Wage Reviews put on a bi-annual basis, a measure that benefits not only management but wage earners and the economy of Puerto Rico as a whole.

Another of your problems is shipping, and shipping costs. The government has prosecuted vigorously the case against the 28.8% increase of the Atlantic and Gulf-Puerto Rico Shipping Conference. If the Commonwealth does not receive satisfaction from the Federal Maritime Board, we will carry this case, if necessary, to the Supreme Court of the United States.

But we have gone beyond such defensive action alone to take a positive role in the establishment of containership service, the so-called trailer ships, I don't have to tell you what a complex problem in labor maladjustment this presented. And you all know of the firm stand this administration took in order to get trailership service successfully started. The containerships operating in and out of Puerto Rico today give promise of a technological breakthrough that will not only speed up transportation but bring a real measure of stability to shipping rates.

Likewise, we have succeeded in bringing a third airline into the U.S.-Puerto Rico service with drastically lowered rates, and we are currently urging an early start of regular jet service. We have begun a four and a half million dollar improvement in our airport facilities to insure ample accommodations for the new jets, and we will continue to bring every pressure to bear on the air lines to give Puerto Rico the fast service they owe this heavy traffic run.

Telephone service has been another problem of yours and certainly, I can personally assure you, of mine. Last week a public hearing was held before the Public Service Commission of Puerto Rico on a proposed 52 million dollar expansion program of the Telephone Company. The Economic Development Administration and the Government Bank, which have been working for improved service, are working with the Commission in an advisory capacity on the communication needs of the industrialization program.

The contemplated program is designed to double approximately our telephone network within five years. Already, the company has completed an eight million dollar improvement that has cleared up serious bottlenecks around the Aguadilla and Mayaguez areas.

This adds up to 60 million dollars in contemplated improvements that will make a real difference in the quality of the local telephone system. In addition, the laying of a submarine cable between here and Florida, on which work has already begun, and other mechanical improvements, will give us many more channels of dependable clear communication with the States. The Government played an important catalytic role in that, too.

A little over a year ago the Water Resources Authority made a significant decision to double electric power generating capacity within four years. Any such commitment of many millions of dollars calls for careful deliberation, and businessmen will appreciate the study and consideration that preceded this decision. Yet we must keep abreast of industry's demand not only for quantity of power but for improved service, and I think the new program now assures that we will.

Activity of the Government Development Bank has been stepped up as a further inducement to industries from both the States and Puerto Rico. More than one-fifth of its total loans have been made in the last two years. Those who are originally from Puerto Rico will be interested to know that four and a half times as many Government Bank and PRIDCO loans and investments are in Puerto Rico-owned firms as there are in continental-owned companies.

Promises Free Labor-Management Negotiations

The trouble spots in our society invariably command greater attention than the areas of harmony and progress, no matter how small the turbulent portion may be in relation to the peaceful patterns of the whole. This, as we know, happens all over the world.

I believe in free negotiation between management and labor. I have said before and I say now that the racketeering type of labor union is a crime against the aspirations of all workers, of all managers, of every decent citizen. Legitimate movements or organizations cannot be judged by their rascals alone, but rather by how they deal with the rascals in their midst. This government will help them wholeheartedly in their declared intention to eradicate the racketeers—should they appear.

We can be thankful that that corrupt kind of unionism has not befouled our workers and our community, and we shall certainly cooperate with industry and with the workers to prevent thieves and gangsters from taking over the labor movement in Puerto Rico.

As I told a labor convention in Santurce a year ago, in the same way that the Government of Puerto Rico had to create new political concepts and new administrative instruments to better enable it to carry out economic and democratic policies, the labor movement must face up to its responsibilities to develop new creative methods of negotiation which will not slow down through unnecessary stoppages of production the process of bringing economic abundance for all.

In my last message to the legislature I commented that it seems to me that the constructive development of labor-management relations which promise full protection for the rights and interests of all concerned and effective stimulus for industrialization is one of the pioneering purposes that both management and labor owe to themselves, and that both owe to the people of Puerto Rico.

No matter whether you were born in Cleveland Heights or Cupey Alto you are all Puerto Ricans now. You have done much, and we are beholden to you for your splendid contribution to the efforts of our people; there is much yet to be done for the good of all. Let us strive to do it with boldness, with initiative, and working together with the serene conviction that we are doing our best toward a fine common end.

*An address by Governor Luis Munoz Marin before the Manufacturers' Association of Puerto Rico's 30th Annual Convention, San Juan, Dec. 7, 1958.

Graham Walker With Dempsey-Tegeler

Graham W. Walker on Jan. 1 will become a partner in Dempsey-Tegeler & Co. of St. Louis, members of the New York Stock Exchange. Mr. Walker is a partner in Gregory & Sons.

Graham Walker

Morgan Davis to Admit

Morgan Davis & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, on Dec. 30 will admit Seth A. Thayer to partnership. Mr. Thayer will become a member of the Exchange.

Investing of Pension Funds In an Inflationary Economy

By PAUL L. HOWELL*

Partner, Paul Howell Associates, Financial Consultants
The Twentieth Century Fund Pension Investment Study

Only through the most productive investing of pension funds can the ravages of inflation be offset asserts financial consultant Howell. Charging some labor union and company ultra-conservative funds with committing an economic crime against their aged members, Prof. Howell cites superior performance of other funds not limited to fixed income securities. Favoring diversified list of professionally selected stocks, the author concludes: (1) pension funds are uniquely suited to a dollar averaged common stock portfolio; (2) many pension funds have been wastefully and ineffectively managed; and (3) that in the long run, pension funds will be no sounder than the industrial economy to which they are tied.

Increasing living costs make imperative a more dynamic investment policy for the huge retirement reserves which are now being accumulated. Stockholders and employees alike can ill afford the wasteful luxury of ineffective utilization of an important earning asset like a pension fund.

Paul L. Howell

It is frequently urged because of low bond yields and rising prices that pension funds should invest heavily in common stocks. This is putting the cart before the horse. Pension funds, like any other asset, should be made to earn as much as possible consistent with the safety requirements. Efficient use of an important business asset is a basic principle to be followed regardless of inflation, which should not be permitted to warp financial judgment.

Financial Characteristics of Pension Funds

Let us look at the economic characteristics of these growing pension funds:

(1) A qualified pension fund is completely exempt from income and capital gains taxation.

(2) There is an extremely long period of accumulation and distribution of funds. In fact, although employees come and go, there is no prospect that the accumulating pension funds will ever be liquidated.

(3) There is no need to distinguish between capital appreciation and income for protection of life tenant or remainderman.

(4) There is a complete absence of legislative investment restrictions.

(5) Retirement plans are not subject to catastrophic hazards. Retirement and payouts can be forecast many years in advance.

(6) In-flow of funds (contributions and earnings) will exceed out-go by a substantial margin for the foreseeable future. Sustained growth of pension funds is expected for the next generation.

Investment objectives usually include consideration of the following: (1) Safety of principal; (2) Certainty of return; (3) Adequacy of return; (4) Tax aspects; (5) Marketability; (6) Liquidity; (7) Capital appreciation; (8) Collateral value; (9) Freedom from care; and, (10) Maturity. The attainment of some of these objectives necessarily conflicts or limits the achievement of other objectives.

*An address by Mr. Howell before the National Conference of Health and Walfare Plans, Trustees and Administrators, New York City.

Investment Criteria

In the light of the framework outlined above, it is submitted that the following criteria should govern the formulation of pension fund investment policy and its execution:

(1) In the management of pension funds, their productivity (i.e. dividend yield and capital appreciation) should be the primary objective, completely overshadowing all others.

(2) As a corollary of this, inflation should not play a part in determining pension fund investment policy. Investment management should get as large a return as feasible regardless of stable or rising prices. The only situation in which inflation becomes a factor is in the selection of industries and companies which will be benefited (or impeded) by changing price levels.

(3) There is a complete absence of any need for liquidity.

(4) Pension funds should be invested as received, i.e., full investment all the time. This amounts to "dollar cost averaging."

(5) Because of full investment, growth, absence of catastrophic hazards, and dollar averaging (instead of formula programming) there is little need to take a defensive position with the resultant lowering of overall portfolio yield.

Paramount Importance of Overall Investment Return

Because of the long period of accumulation and subsequent distribution the rate of return on invested funds is the dominant factor in determining pension costs to employer or benefits to retired workers. Most retirement plans are set up on an actuarial expectation of 2.5% to 3.0% rate of earnings.

An increase of pension fund yield of 1% (i.e., from 2.5% to 3.5%) will increase benefits over 25%. The importance of yield in the accumulation of a sum through periodic contributions for an earnings period of 40 years is as follows:

Earnings Rate	Employers' Contribution	Earnings Accumulation
2.50%	60%	40%
3.00	52	48
4.00	42	58
5.00	33	67
6.00	26	74

Needless to say, an increase of benefits to retired workers is of no small significance, whether we have stable prices or inflationary loss of purchasing power. It is well known that industrial pensions are not far above bare subsistence level for most workers.

Because of the time period over which compound interest has an opportunity to work its miracle in Retirement Plans, an increase in effective return from 2.5% to 6.0% will increase the accumulations so that the pension benefits can be nearly doubled.

Is the achievement of a 6% return so difficult or revolutionary? Or, is it reasonably attainable in actual conservative practice?

Greater Net Investment Returns Are Attainable

It is submitted that a systematic program of periodic purchases of diversified, professionally selected common stocks is the soundest way to achieve the lowest cost or the greatest retirement benefits.

A 100% investment in common stock is quite contrary to "orthodox" institutional investment thinking. This strait jacket of the past with respect to investing of pension funds is most inappropriate and extremely costly.

Let us examine the record. The monumental investigation of the performance of common stocks by the Cowles Commission shows that a broad list of diversified common stocks produced an averaged net return (dividends and appreciation) of 6.8% during the period of 1870 to 1938. If this study were extended to date it would be found that the average return (dividends and appreciation) would exceed 7.5%.

Similarly, the Dow Jones Industrial average has increased market-wise 3% a year during the past 50 years, with a dividend yield approaching 6%.

Importance of Capital Appreciation and Growth

Although it is customary to think of yields in terms of concurrent prices, it is most important, in long term pension investment policy, to consider either return on cost or capital appreciation in achieving the objective of accumulating a specified sum by retirement date. Whether this is accomplished by low yielding, low payout growth stocks or high yielding, high dividend payouts is immaterial. In both cases you get a compounded growth rate. An outstanding example of this is the somewhat poorly regarded Consolidated Edison whose stock was available in 1949 at an average price of $25.00 to yield approximately 6.4%, on its then $1.60 dividend. At the 1958 dividend rate of $2.80 we now get a return of 11.4% on our cost of 10 years ago.

The impact of the dividend growth factor is well illustrated in the case of 18 representative U. S. life insurance companies. Below (Table I) are set forth the comparative overall returns on cost during the postwar decade. These figures include realized gains and losses but do not reflect very substantial unrealized market appreciation. If figures for 1956 and 1957 had been included the disparity between the common stock yields and other securities would have been ever more pronounced. That these results are not based on a small sample is shown by the fact that at the end of 1955 the common stock holdings exceeded $700 million.

TABLE I

Investment Yields Obtained by 18 Representative U. S. Life Insurance Companies During Postwar Decade by Type of Security

Year	Bonds %	Preferred %	Common %
1946	3.09	4.71	5.17
1947	2.78	4.46	4.82
1948	2.84	4.57	5.35
1949	2.96	4.16	5.28
1950	3.07	4.47	6.22
1951	2.94	4.50	8.63
1952	3.05	4.41	7.65
1953	3.11	4.36	7.38
1954	3.35	5.06	8.32
1955	3.29	4.94	10.02
Average	3.05	4.56	6.88

Benefits of Independent Professional Investment Counsel

In addition to achieving merely the mediocre results of the averages there should be an important plus factor.

Investment is a technical job which requires training, experience, ability and judgment supported by extensive and constant staff research. Such managerial skill, if it is to live up to its claims, should show results in earnings *above* the mediocrity of the averages.

It seems not unreasonable that professionally managed funds should earn from 10 to 20% more than the average results of an unmanaged fund. It is concluded that a well-managed pension fund should be able to earn, over an extended period, a net return in excess of 8%.

These professional investment advisers, however, must be chosen with great care. Investment management is a fulltime, professional job, requiring the highest degree of technical competence and adherence to fiduciary standards. Criteria to be considered in the selection of an investment adviser include the following:

(1) *Competence.*

(2) *Personalized attention.*

(3) *Continuity of advice and service.*

(4) *Absence of conflicts of interest.*

Too often lawyers or accountants are asked to advise when they do not have the right kind of training, nor the time or appropriate staff. Trust officers, through long adherence to fiduciary principles of protecting the dollar value of the principal of the estate through bond investment for the benefit of the remainderman, may not have the proper mental attitude. They have been conditioned to "play it safe." Don't take a chance. Don't do anything for which the bank might later be criticized. Furthermore, it is doubtful if banks pay enough to attract and keep good common stock men. Stockbrokers as advisors have the traditional limitation that they are compensated by trading commissions and are usually interested in the more spectacular short swings of the market.

A "Balanced" Portfolio Costly

It is sometimes urged that a portfolio should contain a "proper balance." This is of utmost importance in certain types of portfolios, but here we are talking about large, diversified, dollar averaged, fully invested, long term, growing funds with no need for liquidity. The need for a bond defense is virtually nil in such a fund.

A true long-term holder of equities can ride out the storms and stresses, disregard intermediate market swings, and ultimately receive his compensation in the form of a substantial increase in earning power.

Fixed dollar obligations, since they are no protection against inflation, may be as speculative as common stocks, but in a different way. It should be remembered that investment in bonds is not all a bed of roses. Bonds and mortgages can default too. At the present time the market value of most bond portfolios is below its acquisition cost. For example, the market value of the Bell Telephone pension funds of $2.7 billion is more than 7% below its amortized cost.

The public remembers 1929 and 1932. Actually much of the stock market fall from 1929 to 1932 merely offset the previous unwarranted rise. A person who was in equities before 1928 would have found his book losses of 1932-33 soon converted back into profits. Persons who practiced dollar averaging through systematic stock purchases month by month throughout this period came out much better than persons who kept their funds in fixed income obligations.

Improved Institutional Environment for Common Stock Investment

Let us look at some of the institutional economic changes which make common stock investment increasingly more appropriate.

(1) We have come a long way in developing financial responsibility and adherence to high fiduciary obligations since the Armstong Investigation of 1906.

(2) Improved accounting and auditing standards, together with full disclosure and SEC supervision thereof, have made company reports a sturdy foundation upon which to analyze common stock earning prospects.

(3) Administrative controls of common stock trading by the Exchanges and the SEC likewise provide a much firmer foundation for common stock purchases.

(4) In addition, current controls by the Federal Reserve Board on margins, credit and interest rates are far more effective.

The broadening acceptance of common stocks indicated by the recent legislative liberalization of the restrictions on the investment of funds in this medium by New York trustees and insurance companies.

Some Pension Fund Operating Experience

The SEC reports (Release No. 1508) the overall earnings rate for corporate trusteed pension funds, aggregating nearly $20 billion, was 3.84% for 1957—the highest since the SEC started to accumulate figures. If the $2.6 billion ultra-conservative bond fund of the Bell System which earned approximately 3.06% in 1957, were eliminated it would be found that the average earnings of the remaining $17 billion of trust funds would exceed 4%. It is interesting to note that the Telephone company has initiated a policy of putting 10% of its giant pension fund in listed common stocks.

SEC statistics also show for corporate trusteed funds that common stocks have now increased to 25% of the book value. On a market value basis common stocks now exceed 33%. For many portfolios, even where the common stock component is relatively small, the market appreciation has been sufficient to more than offset the decline in bond prices. In other words, common stocks have been more defensive than bonds.

As of 1951 U. S. Government securities constituted 32% of total investments. Because of the tremendous growth of pension funds since 1951 the percentage importance of government obligations has decreased to 12% despite the fact that total holdings have not varied much.

As an indication of pension earnings easily obtainable during the postwar period, yields for ATT common, Moody's AA bonds and 200 common stock are set forth in Table II. If adjustment is made for the value of the ATT rights received during this period the net yield would exceed 6.50% or 125% more than earned on the ATT pension fund.

Moody's composite of 200 common stocks show an average return on market price of 5.17%. Although the yield in 1957, at 1957 prices, is shown to be 4.33% it should be remembered that the correct yield resulting from dividends alone on pension contributions invested in 1946 is now 10.5%.

For contributions invested at January 1946 stock prices there would be capital appreciation of approximately $125 or 145% by the end of 1957. This appreciation together with the $45.49 of dividends received results in an accumulation of $170, or a compound annual rate of growth of 10.8%. This rate of growth is understated since no adjustment is made for the compounding effect of reinvested dividends.

Union Administered Pension Funds—A Lost Opportunity

Let us now look at the management of some union funds which should be administered to the

TABLE II

Some Postwar Yields and Price Records

Year	ATT $9 Dividend Yield %	Moody's "AA" Bond Yields %	Moody's 200 Common Stock Averages Yield %	Price	Dividends
1946	4.85	2.62	3.97	$51.34	$2.02
1947	5.58	2.70	5.13	46.46	2.33
1948	5.91	2.90	5.78	47.46	2.74
1949	6.22	2.75	6.63	46.68	3.09
1950	5.91	2.69	6.27	56.23	3.53
1951	5.77	2.91	6.12	66.98	4.09
1952	5.81	3.04	5.50	71.73	3.94
1953	5.77	3.21	5.49	72.81	4.00
1954	5.35	3.06	4.78	89.04	4.23
1955	4.98	3.16	4.06	117.36	4.75
1956	5.05	3.45	4.07	130.55	5.31
1957	5.19	4.03	4.33	125.46	5.43
Averages	5.53	3.04	5.17		$45.49

NOTE: No allowance is made for the value of ATT Rights.

benefit of their members as much as possible. The Amalgamated Clothing Workers have a sizeable retirement fund invested as follows (end of 1957):

	Amount	%
U. S. Govt. Bds.	$44,500,000	83.5
Cash	8,400,000	15.8
Other assets	400,000	.7
Total	$53,300,000	100.0

In 1957 this fund earned about 2.35%. There is no diversification. The invested assets consist entirely of government bonds. There is a complete absence of any investment management. There is no attempt to get better yields. Little analysis is required to purchase government bonds. In fact, at the end of 1957, the market value of the portfolio was $1.8 million less than its purchase price. This fund also shows lack of alert management in that 16% of the fund is in idle cash.

Other large unions following a similar ultra-conservative investment policy are the International Ladies Garment Workers Union and the United Mine Workers of America. In the case of the UMW, the funds are invested, as follows (as of 6/30/58):

	Amount	%
Cash (checking)	$63,700,000	44.4
Time deposits	11,000,000	7.5
U. S. Govt. Bds.	35,600,000	24.4
Common stocks	3,900,000	2.7
Hospital notes	30,600,000	21.0
Total	$145,800,000	100.0

Inefficient use of an important asset, such as illustrated by the above portfolio, constitutes an economic crime on the membership—a crime which will be paid for by bare subsistence pensions for the aged members.

The AT&T—A Conservative Bond Fund

The Bell System pension fund now aggregates over $2.7 billion which has been invested entirely in bonds, primarily corporates. The mediocre postwar earnings record of the AT & T is, as follows:

	%
1946	2.51
1947	2.53
1948	2.66
1949	2.70
1950	2.70
1951	2.79
1952	2.91
1953	2.97
1954	2.98
1955	3.02
1956	3.14
1957	3.28
Average	2.85

GE—A Dynamic Investment Fund

At the beginning of the postwar period the General Electric pension assets were invested entirely in government bonds. In 1947, in response to changing times, a more flexible approach was adopted for these funds which had then accumulated to $150,000,000. Policy was altered to permit investments in legals for New York Life Insurance companies which at that time included corporate bonds, mortgages, preferred stock but not common stock.

With further postwar economic changes taking place, management remained flexible, and further shifted its position. In 1950 another major revision of investment policy was made. A decision to go into equities was made after careful consideration and is executed according to a detailed plan worked out in advance. This permits the purchase of common stocks on a dollar averaging basis with provision for accelerated purchases on market declines.

The reasons stated for the decision to follow a stock purchase program are, namely, to secure a higher yield and as a hedge against inflation. A higher yield, of course, reduces the funding cost of the plan. Prior to this time it had sometimes been difficult to obtain a 2½% rate to meet the actuarial requirements. The investment managers of the fund felt that if bond quality were to be sacrificed in order to secure a higher yield, there would be few if any capital gains to offset the inevitable losses of principal on the lower grade obligations. Consequently, a partial solution to the problem was the inclusion of a limited amount of carefully selected equities in the portfolio. Preferred stocks have been left out of the program, however, in favor of common stocks because it was felt that the yield on preferred was not sufficiently above that obtainable on bonds to justify the purchase. Bonds also have the maturity feature and a cash flowback which preferred stocks lack. (Table III.)

TABLE III

General Electric Company

Structure and Earnings of Pension Fund Portfolio

Year-End	U. S. Govts. %	Other fixed Income %	Miscel. %	Common Stocks %	Going rate of return %
1947	98	2	--	--	2.20
1950	33	63	--	4	2.74
1952	17	73	--	10	3.15
1954	13	70	2	15	3.40
1957	7	53	9	31	3.80

Among the diverse organizations following a somewhat similar pattern with respect to ownership of common stock is that of the United Nations Permanent Secretariat, the Episcopal Church, Amalgamated Lithographers, the Federal Reserve Board, as well as many industrials.

An Aggressive Investment Policy —CREF

The opposite end of the investment spectrum is that of pension funds aggressively invested almost wholly in common stocks.

The outstanding example is the College Retirement Equities Fund. CREF funds, from its start in 1952, have been invested in a diversified list of primarily blue chip common stocks. These joint teacher - university contributions aggregate, as of March 31, 1958, $47 million, with a market value of $55 million. This appreciation of some 17% is substantial when it is remembered that the average age of the fund is less than three years.

It is appropriate now to examine the actual performance of this aggressive effort to improve the lot of teachers. Premiums paid into the fund buy "accumulation units," much as periodic purchases might buy shares in an open-end fund. Dividends received on the fund's holdings are credited to participants in the form of additional accumulation units. Thus, the value of each unit is a pure measure of price changes in the fund's stocks and is directly comparable, for example, with common stock averages like the Dow-Jones. As shown in the table below, the accumulation unit was worth $10 at the end of March 1953 and on March 31 of this year was worth $18.45, an increase of 84.5% in five years. On a compound interest basis, this growth exceeds 13% annually. Additional units would also have been purchased with the cash dividends. Thus, an accumulation unit purchased early in 1953 has more than doubled five years later. The cash dividend rate has fluctuated from 4.43% to 2.84% on market value. This yield, of course, is substantially higher when related to book cost. As of Sept 30, 1958 the value of the accumulation unit had increased to $21.76.

The investment results of CREF and TIAA are contrasted in Table IV.

Although five years is too short a period to make sweeping, long-run investment generalizations, the contrast between CREF and any fixed income fund is disconcertingly great. It should be emphasized that this is an actual and not a theoretical performance. Whatever the future may bring there has already been created a substantial amount of capital appreciation to cushion any future market declines and still maintain a substantial earnings differential over bond fund performance. The investment lesson of the competitive advantage of common stocks is most evident.

This trend towards a dominant portion of the retirement fund assets being invested in common stocks is illustrated by such diverse groups as the American Airlines Retirement Fund for Pilots, Long Island Lighting Company, Boeing Airplane Co., Bankers Trust Company of New York, and Columbia Gas System.

TABLE IV

Analysis of Earnings and Capital Gains of Cref and Tiaa

Fiscal Year End. Mar. 31	Accumulation Unit Value*	Percent Appreciation	CREF Dividend Rate %†	TIAA Yield %‡
1953	$10.00	----	4.43	3.33
1954	11.46	14.0	4.04	3.48
1955	15.17	32.4	3.34	3.51
1956	19.84	30.8	2.84	3.58
1957	18.34	— 7.4	3.23	3.70
1958	18.45	0.4	3.36	3.70
1958-Sept. 30	21.76			

*Accumulation unit values are stated at market price. †Yield on market value at end of period. ‡Yields are computed on the usual life insurance formula, and are for calendar years, i.e., should be set back three months.

Conclusion

In the long run, pension funds will be no sounder than the industrial economy to which they are tied. Everybody concerned—employers, employees and the financial institutions—should get away from the concept that a pension plan can provide ironclad financial guarantees and should recognize that it is essentially a cooperative effort to accumulate old age savings reserves. The end result may well be a dynamic investment policy which will lie somewhere between the ultra-conservatism of many trustees and insurance companies and the policies of some investment trusts. Such a policy would greatly enhance the benefits available to retired workers or reduce costs.

To Become Partner in F. S. Moseley & Co.

BOSTON, Mass. — Frederick S. Moseley, III, will be admitted on Jan. 1 as a general partner in the investment firm of F. S. Moseley & Co. Established in 1879 as a commercial paper house, Moseley is one of the few national investment firms still being managed from Boston.

F. S. Moseley, III

Mr. Moseley, grandson of the firm's founder, attended Harvard University, class of 1951. After duty in Korea, he was separated from the U. S. Army Artillery as a First Lieutenant in January, 1955 and became associated with F. S. Moseley & Co. in April, 1955.

He is a director of the Boys' Club of Boston; a member of the Bond Club of Boston, the Municipal Bond Club of Boston and the Municipal Securities Committee of the Investment Bankers Association (New England Group).

Samuel Abrahams Admits

William M. Wolff on Dec. 16 became a partner in Samuel Abrahams & Co., 25 Broad Street, New York City, members of the American Stock Exchange.

Chicago Board of Trade Receives Slate

CHICAGO, Ill. — The Nominating Committee of the Chicago Board of trade has presented the following slate to be voted upon at the Annual Election to be held Jan. 19:

Chairman of the Board: Clarence Rowland, Jr.; Vice-Chairman of the Board: Lee H. Wagner; Second Vice - Chairman of the Board: Bernard P. Carey.

Directors (to serve for three years):—five to be elected—Ardin P. Buell, Robert L. David, William V. Fritz, Ben Raskin, Carson H. Varner, James J. Coughlin, Robert L. Martin, and Michael J. Reddy.

Nominating Committee: To serve for three years: Thomas E. Hosty and Clarence M. Galvin; to serve for one year: William R. O'Connell.

Committee of Appeals (to serve for two years): John L. Georgas, Arthur Mark, Robert L. Martin, Gerard C. Specht, and Edward C. Wilson, Jr.

Committee of Arbitration (to serve for two years): Walter M. Goldschmidt, Ralph E. Holzman, Roy C. Loftus, Martin H. Milek, and Richard W. Rose.

Gartman, Rose Changes

Charles Rose and Dorothy Gartman on Dec. 31 will become limited partners in Gartman, Rose & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, as trustees under two Trust Agreements dated Dec. 31, 1958.

Fifteen Economists Agree on Long Run But Not Short Run Prospects for Inflation

Top economists gathered at a Conference Board round table agree inflation does constitute a serious problem for the long run and that the recession temporarily checked the basic propellents behind inflation, but disagree on short run prospects for resumption of inflation. The forum explored the interrelationship of wages, unemployment and inflation under the chairmanship of Mr. Shields of McKay-Shields Associates.

The 1957-58 recession restrained only temporarily the fundamental forces behind inflationary trends, and inflation remains a problem of serious concern in the long-run prospects for the American economy, fifteen distinguished economists agreed in a forum recently conducted by the National Industrial Conference Board. However, the forum members differed considerably on the short-run prospects for further inflation, the Conference Board reports.

Murray Shields

Wage-Cost Push Expected to Return

The panel expects the wage-cost push—moderated for the present—to return as recovery flourishes. Both cost-of-living escalation and automatic annual increases, most participants hold, will continue to contribute to higher wage costs. The pressures on prices emanating from cost considerations, however, may not contribute as strongly in the future as they have in the past.

Continuing international uncertainties, the problems and costs of adequate defense and armaments in the missile-age, and the prospect of sustained government deficits, all can add impetus to future inflationary trends, the panelists believe.

Greater Restraint Needed

To meet the inflationary pressures arising from deficit spending, the panel sees the need for renewed and more critical efforts to restrain unnecessary public expenditures. It also suggests that the likelihood of a steady and continuing inflation may require far greater reliance in the future upon tax restraints than upon the instruments of credit control which the nation principally relied upon in recent periods of inflationary stress.

Other proposals by some panel participants include an increase in investment and production abroad, greater exposure of American business to import competition which would act as a restraint upon domestic price rises, resistance to excessive wage demands, and reexamination of the quality of credit extended both to individuals and to business firms.

The forum, whose views are released under the title, "Unemployment, Wages, and Inflation," No. 62 of The Conference Board's Studies in Business Economics, was under the Chairmanship of Murray Shields, trustee of the Board and a partner in MacKay-Shields Associates. Participants were:

Jules Backman, Professor of Economics, School of Commerce, Accounts and Finance, New York University.

Ira T. Ellis, Economist, E. I. du Pont de Nemours & Company.

Martin R. Gainsbrugh, Chief Economist, National Industrial Conference Board.

Edwin B. George, Director of Economics, Dun & Bradstreet, Inc.

Albert G. Hart, Chairman, Economics Department, Graduate School of Business, Columbia University.

George P. Hitchings, Manager, Economic Analysis Department, Ford Motor Company.

Richard A. Lester, Professor of Economics, Industrial Relations Section, Princeton University.

Malcolm P. McNair, Lincoln Filene Professor of Retailing, Graduate School of Business Administration, Harvard University.

James J. O'Leary, Director of Economic Research, Life Insurance Association of America.

Alexander Sachs, Economic Advisor and Industrial Consultant.

O. Glenn Saxon, Professor of Economics, Yale University.

Donald B. Woodward, Chairman of the Finance Committee, Vick Chemical Company.

David McCord Wright, William Dow Professor of Economics and Political Science, McGill University.

Wilson Wright, Economist, The Procter & Gamble Company.

The following are highlights of remarks by participants:

JULES BACKMAN:

"The fear of inflation in the period immediately ahead has been tremendously over-exaggerated." We have "ignored . . . the recessionary implications of [the 1959] budget; namely, built-in stabilizers in the form of reduced tax revenues and increased expenditures on various social services. . . . The real problem of fiscal inflation is not a $12 billion deficit, but whether a deficit of that size gives rise to such an increase in prices and costs that the following year the deficit will be $18 or $20 billion. With the recovery which is now taking place, and which in my judgment will continue, the part of the budget deficit that represents the built-in stabilizers will become significantly reduced. . . ."

Jules Backman

"I believe that the increase in labor costs next year will be less than the 6% or 7% of the past few years. With labor costs rising less and output per man-hour increasing more, it is probable that we will experience a diminished rather than an expanding or identical wage inflation. A moderate increase in wages and nonwage benefits that is somewhat but not much larger than the gain in productivity should not feed the fears of inflation that are rampant in many quarters today. . . ."

IRA T. ELLIS:

". . . we should distinguish . . . between two kinds of causes that push up prices. . . . One is what we have had in, say, the last five years, which I would characterize as wage-push inflation. . . . At other times, especially in 1946 to 1957, we had an obvious surplus of liquid assets and, therefore, had a demand-pull inflation."

Ira T. Ellis

"The fact that we can have different causes of price increases means there are different policies to meet them." It is possible to have inflation simultaneously with substantially excess capacity and 5% to 7.5% unemployment "if we have a situation of labor surplus and at the same time we push up employment costs, and therefore prices." . . . But "we don't get [galloping inflation] from the situation we are in now; it does not come from a wage push but from excessive printing of paper money by the government."

EDWIN B. GEORGE:

"Our main trouble now is not in what the government did but what it is not going to do later. In this sharp and threatening recession, the government had no recourse but to do something—accelerate spending, cut taxes, or at least not to increase them . . . or do something else that would result in deficits. In the next boom it is supposed to cut expenditures, collect higher revenues, even levy an expenditures tax if necessary—any way to develop a workable surplus and retire the inflationary paper placed by the Treasury with the banks. . ."

Edwin B. George

"With a persisting lag of production behind potentials and with productivity catching up some lost ground, total monetary demand will not be rising much faster than output and most of the advance will be in real terms. This seems likely at least, unless we run into something close to public fear or panic."

ALBERT G. HART:

"It is argued that we might get a terrific slide toward debt financing on the part of investing firms and toward insisting upon equity purchases on the part of individual savers. . . . What has impressed me has been how little development there has been of these apparently prodigious incentives to debt financing. Of course, we've got a revival of bank financing, but it still is not anywhere near the relative scale of the Twenties. We do not have to infer a growth of inflation psychology if individual investors shift somewhat to equities and businessmen to borrowing."

Prof. A. G. Hart

"When all is said and done, everybody is very doubtful whether cost has very much if any effect upon the amount of short-term credit demanded. . . . But long-term rates do affect demand. . . . There is a substantial annual flow of savings, the greater part of which goes into creditorship. Properly designed government bond issues could tap these savings effectively, but to do so it would be necessary to exert real pressure at the long-term end of the interest rate scale. . . . If we have a taboo on anything that will put the Treasury in competition with building or other uses of long-term funds, then we have our hands tied and naturally cannot do anything. If the government is going to do anything about monetary policy, it means particularly that it must pinch the durables sector of the economy through long-term rates. We cannot lengthen the debt in an inflationary situation unless we pay to do it."

GEORGE P. HITCHINGS:

"To the extent that the 1958 auto contract sets a pattern for the next three years, there is a real prospect that the wage-price spiral will be slowed down. The initial rise in wage rates and fringe benefits will be less. Furthermore, for the economy as a whole some reductions in unit man-hour requirements have been forced by the recession and by reduced profit margins. . . ." "Somewhat more modest wage settlements, particularly in the auto industry, have eased wage pressures at the moment. However, the problem has not been solved from a long-run standpoint. The impression might have been created . . . that we do not have to worry about wage inflation. . . . No firm evidence exists that [it] is behind us."

Geo. P. Hitchings

RICHARD A. LESTER:

"The idea that equities provide protection from inflation may be a little inconsistent with the belief that we have a cost-push situation in which profits are being squeezed. The flight into equities doesn't quite jibe with the notion . . . that profits are being squeezed and that we no longer have the kind of enterprise economy that is needed. This inflation is pretty much world wide. Other countries since the war have been in pretty much the same kind of boat as have we. . . ."

Richard Allen Lester

"We do not really have this [profit] squeeze. There are a great many other factors—anticipated profits are one—than just straight inflation . . . [the rise in equity prices] might very well be a recovery phenomenon, because we're getting an improvement in productivity as we come out of a recession. It may very well be that we do have a fairly good situation in the stock market. Furthermore, since dividends were kept up during the recession, a lot of people are more bullish on stocks than they would otherwise be."

MALCOLM P. McNAIR:

"I cannot convince myself that [the volume and quality of consumer credit] is nearly as germane to the discussion as most of the other topics have been. . . . Financial assets of consumers at the end of 1957 were something like four times their total liabilities. Their aggregate financial assets exceeded their liabilities by $475 billion, against an excess of $315 billion 10 years earlier. In other words, the excess of assets over liabilities had increased 50% in 10 years. . . . In relation both to Gross National Product and to personal consumption, consumer credit seems to have maintained considerable stability. . . ."

Prof. M. P. McNair

"Consumer debt is increasingly being held in stronger and more knowledgeable hands. . . . Some of the newer extensions of consumer credit . . . may encounter problems that management will have to learn how to deal with, and perhaps in some instances the process of learning will entail certain costs. . . ."

JAMES J. O'LEARY:

"I agree to a large extent . . . that a good deal of the purchases of stocks at the present time do take into account the prospect of long-term growth. But it seems to me that they also . . . indicate a strengthening of an inflationary psychology. . . . For example, there has gotten to be an inflation premium in interest rates. This is the important thing from the point of view of our discussion. It's not whether stocks are a good hedge against inflation. It is whether in recent months we have developed more of an inflationary psychology. . . ."

James J. O'Leary

"If our saving and investment apparatus cannot supply enough funds to finance both inflation and economic growth, which one has to 'give?' . . . If we look at the postwar period as a whole . . . everybody . . . has been trying to get more growth out of the country than we could afford in terms of savings. . . . The problem of an excessive demand for capital relative to savings has plagued us consistently. . . . One way or another, we have increased the money supply to fill the gap. . . ."

"There are no indications of a flight from contractual savings, and I do not expect to see one. . . . However, the life insurance companies are selling more group insurance, term insurance, and other types not involving a savings element. . . . Also, many life insurance companies are beginning to think of new types of contracts that can ride along with the inflation. . . ."

ALEXANDER SACHS:

"A broadly unreadjusted cost inflation is compounded by fiscal inflation. That pair, in turn, is compounded by a flight of the dollar from fixed securities to equities. . . . Our economy, even when taken on an internal basis, has been operating within a framework of a triple inflation. The three types function as an interacting set of coordinates with mutual reinforcement: the greater the cosh-push inflation, the greater the vulnerability of the budget to imbalance, and derivatively, the greater the investor recoil from government securities. . . . The constrictive import of this triadic inflation needs to be qualified by the prospect that the course of recovery itself should produce elements of amelioration. . . ."

". . . recovery is proceeding under carry-over inflation strains and newly injected inflationary stresses. The carry-over strains revolve around the inadequacies of economic and financial readjustment. Apart from an amount of deflation in excess inventories and some improved efficiency in labor and management, the important sectors of economic excess have remained uncorrected. These sectors cover the unit costs of production, costs of living, excess capacity, and excess commitments by government . . . and by the consuming public."

O. GLENN SAXON:

"The United States is fast getting to have a high-cost economy relative to other countries. . . . [Increased U. S. investment abroad] has been greatly accentuated by the steady and generally unilateral reduction since 1948 in United States tariffs. . . . As a consequence of higher costs in the United States, there has year by year been a sharp rise in imports that are competitive with the products of our industries. . . ."


Dr. O. Glenn Saxon

"It is, therefore, essential that Congress be convinced that maximum employment is only one factor in the stability of the nation's economy. It is essential that the employment act be amended to include in its formula the relative stability of consumer and wholesale prices. If a choice must be made between constantly rising and constantly declining prices, Congress should declare for declining prices. . . ."

"The Federal Government should operate on "generally balanced budgets" and offer long-term bonds "payable in gold currency on maturity" which would enable refunding "the entire Federal debt should it be desirable to do so—at reasonable interest rates. . . . Congress could then take the final step and return to a full-fledged gold standard. . . ."

DAVID WRIGHT

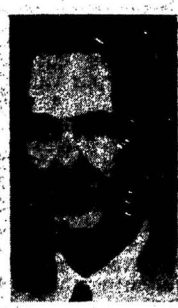
"The Federal Reserve Board has lost control of the situation because the economy is saturated with liquidity. In old-fashioned terms, 'the quantity of money is too great.' This flight from the dollar would not be too bad a thing if it would result in cutting down the amount of surplus liquidity, reduce bank reserves, and squeeze the supersaturated economy. . . ."

"It is quite possible that we could have a collapse of the stock or the bond market and not have a depression. . . . Employment is set by real industrial investment and real consumer purchases. The general assumption is that a market collapse will shake confidence and force a discontinuance of real investment plans. But it can happen that people will say, 'oh, that's just a market bubble' and, if cost-price relations are favorable in industry and consumer spending keeps up, the real investment plans may be carried through."

". . . to get lower costs and more efficiency, we should get more competition of a constructive kind that will keep us on our toes. . . . The most socially acceptable way of putting some screws on the pressure groups within the economy and making us try to lower our costs and compete would be to reduce our tariffs so as to get more foreign trade."

WILSON WRIGHT

"We are still attempting to use a tax system designed to prevent oversaving or saving in excess of investment. If privately owned funds, therefore, have been inadequate to finance investment, we really should not be surprised. Our present type of recovery, which appears to be a consequence of the way in which the recession was aborted by political expenditure, probably will require debt monetization in order to provide liquidity. . . ."


Wilson Wright

"Under these circumstances it probably is to be expected that the deficit of the Federal Government may be reduced but will continue to be large. The demand for credit by political authorities will continue to be large and the debt incurred for political purposes will be monetized. . . . The problem is . . . how to obtain and protect income and capital. Why should not a person or firm avoid having capital taken away or depreciated? . . . Furthermore, if it becomes clearly apparent that our government must be operated at a deficit indefinitely, the advantages of moving capital out of the country will appear to be larger."

DONALD B. WOODWARD:

"The most important strength of the stock market . . . is that the economy is going to experience an important economic growth over a long period of time. This growth is likely to be supplemented by inflation. . . . I am not at all persuaded that the stock market is primarily moved by considerations of inflation. There is a more optimistic and a sounder basis for strength. . . ." "Pressures for higher expenditures to replace and improve arms are likely to mount in the next few years. But arms can at best only hold space and win time for the free world to make economic and cultural gains. The realization of such gains—in large scale—is the only way the free world can win over the aggressive and growing strength of the Communists. To achieve these gains should mean large and rising expenditures by all the free nations, including the United States, for mutual improvement."


Donald B. Woodward

MARTIN R. GAINSBRUGH
(In Summary):

"Let no one mistake the general tone of our discussion. We are all, as a group, to a man concerned about the problem of inflation. We may have differed on its probable future degree and its impact on the short run, perhaps, as distinguished from the long term. But time and time again there was apparent, even among those who found relatively few signs pointing to acceleration of inflation in the short term, a growing concern as the discussion was extended to embrace the longer run . . ."


M. R. Gainsbrugh

". . . it is gratifying to be able to look back and see the extent of the recovery since April. We have won the battle against recession. . . . But we've got a big war ahead of us. We have been discussing the pattern of inflation and the factors behind it with Forum audiences for more than a decade. I don't believe as yet we would endorse the conclusion that we have had more than a token victory, largely recession induced."

"Perhaps as sobering a note as any to raise in this connection . . . is this: are we really building a sound bridge to the golden 1960's in this particular recovery? Or are we building a type of recovery more like that of the 1927-1929 period? Until we gain some victories on the inflation front, we may find that there is no firm foundation to our economy. Our war against inflation still remains to be won."

Correction

In the *Financial Chronicle* of Dec. 11th it was reported that William H. Hendrickson had opened offices in the Bank of the Southwest Building, Houston, to engage in a securities business. Mr. Hendrickson informs us that this is in error. He has become associated with Bradco Oil & Gas Co. and Bradco Associates as Chairman of the Board. 2338 Sales, Inc., was organized as a vehicle for Bradco Associates to sell participating interests in its 1959 Oil and Gas Exploration Program.

Mr. Hendrickson, in addition to being an officer of Underwood, Neuhaus & Co., was formerly for 15 years with Texas Gulf Producing Company as Financial Vice-President and Director.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes: Stanley A. Aldrich retires from partnership in Adams & Peck December 31. Walter J. Fitzgerald, Jr. will withdraw from partnership in Blunt, Ellis & Simmons, Dec. 31. Thomas A. McKay retires from partnership to Orvis Brothers & Co. Dec. 31. Jack A. Ziebarth, member of the New York Stock Exchange, will withdraw from partnership in Reed, Lear & Co., Dec. 31. Baron J. Gordon, member of the New York Stock Exchange, resigned as Vice-President and Secretary of Propp & Co., Inc., Dec. 23.

With Goodbody & Co.

Jay E. Haynes has joined Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, as a registered representative and member of the investment sales department.

Federal Reserve Bank of New York Measures Economic Upswing's Pace

Despite faster November recovery than in preceding two months, New York Federal Reserve Bank finds recovery gap is still considerable. Notes that an "upsurge in private spending that would lead to a quick return to full prosperity is not yet in evidence."

The revival of business activity continued in November, but "the recovery still has a considerable distance to go before unemployment is reduced to the levels characteristic of past prosperity periods," according to the December **Monthly Review** of the Federal Reserve Bank of New York.

The Reserve Bank attributed the business improvement mainly to the same factors that have been propelling the recovery since its beginning — the declining rate of inventory liquidation, increased government spending, and the advance in housing and other construction. But the article noted that, outside of the housing sector, "an upsurge of private spending that would lead to a quick return to full prosperity is not yet in evidence."

All indications are that industrial production continued to advance in November, possibly more rapidly than in the preceding two months. The most significant factor in the advance, according to the Reserve Bank was the elimination of some of the roadblocks which had held back recovery in the durable goods sector. The total output of hard goods did not expand at all in October, chiefly owing to work stoppages in the automobile, fabricated metals, machinery, and glass industries. But in November, automobile production roughly doubled on a seasonally adjusted basis.

The recent strikes have also obscured employment trends, the article continued. After rising for five successive months, non-farm employment declined slightly in seasonally adjusted terms in October. While the decline was accounted for entirely by job losses in factories turning out durable goods, mainly in the strike-affected industries, it appears that employment increased only about seasonally in the industries not affected by work stoppages.

The Reserve Bank attributed much of the slowing of recovery in September and October to the low level of activity in the auto industry, a condition that also retarded output and employment among suppliers in many important lines. The cut in auto output was unusually sharp during the model change-over period in September, and labor disputes prevented mass production of the 1959 models in October. The marked step-up in production in November, when approximately 515,000 cars were turned out, suggests that the industry is planning to make up most of its lost production by the end of the year.

The Reserve Bank considers the reception of the new model cars the most important test of the outlook for a substantial upturn in consumer demand. Growing incomes are one factor that may induce consumers to increase their purchases of major durables. Total personal income rose steadily during February-September this year, and the slight decline in October mainly reflected reduced wage and salary payments resulting from strikes. Moreover, the effect of price increases in slowing the growth of consumer purchasing power was less marked in the third quarter than earlier this year. Partly as a result, real disposable income showed the largest increase in over three years.

A. G. Edwards & Sons To Admit Partners

ST. LOUIS, Mo. — A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges, on Jan. 1 will admit James F. Ford and Paul Ullman, Jr. to partnership. Mr. Ullman is executive director of the firm.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Trustees of **The Dime Savings Bank of Brooklyn, Brooklyn, N. Y.**, announced that two officers have been promoted to higher rank and four other employees have been made officers.

Karl A. Stad

Karl A. Stad who joined The Dime staff in 1929, becoming an Assistant Comptroller in 1949, Deputy Comptroller in 1954, and an Assistant Vice-President in August, 1957, has been promoted to Vice-President. Mr. Stad has charge of the bank's methods, systems and procedures.

Carmine P. Anzalone an employee of The Dime since 1921 and an Assistant Secretary since 1949, was promoted to Assistant Vice-President. He will continue in charge of the Mortgage Servicing Department.

Frank D. Miller employed in 1936 and Chief Supervisor in the Tabulating Department since 1956, has been made an Assistant Comptroller.

The following were promoted to the rank of Assistant Mortgage Officer: William J. Schneck an Appraiser at The Dime since 1945 and Chief Appraiser since 1954; Robert C. Frese an employee of the bank since 1940 and Supervisor of the Mortgage Application Department since 1951; George W. Schieck in the Mortgage Servicing Department since 1942 and Supervisor of that department since 1952.

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The First National City Bank of New York has promoted three officers who are serving in the Southwestern District.

They are E. Peter Corcoran, from assistant cashier to Assistant Vice-President; M. Daniel Haskins, from official assistant to assistant cashier; R. O. Watson to official assistant.

The Southwestern District covers the states of Arkansas, New Mexico, Oklahoma and Texas.

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The Hanover Bank, New York, announced the promotion of Harry P. Barrand, Jr., Craig S. Bartlett and John B. Henneman to Senior Vice-President. All were formerly Vice-Presidents.

Mr. Barrand is in charge of The Hanover's foreign division. Mr. Bartlett heads the bank's investment department. Mr. Henneman is in charge of the personnel department.

Advanced from Assistant Vice-President to Vice-President were Frank W. Kaestner, corporate trust; Herman S. Streller, operations; and Fred G. O. Wernet, personal trust.

Appointed Assistant Vice-Presidents were Thomas F. Cullen, John E. Hardy, and Wesley Simmons, personal trust; William F. Dralle, 42nd Street office; Edward A. Murphy, 41st Street office; Daniel B. Phelan, foreign division; L. Abbett Post, Jr., city division; and Eldon R. Wallingford, out-of-town division.

* * *

William H. Moore, Chairman of **the Board of Bankers Trust Company, New York**, announced on Dec. 19 the election of Guy R. Byam as Vice-President in the Trust Department's Personal Services Group.

Mr. Moore also made known the appointment of Robert J. Person as Assistant Vice-President in the Branch Office Development Department and named Hugh F. Coyle, Assistant Trust Officer, Personal Trust Division; Richard H. Deatly, Assistant Treasurer, Branch Office Administration; Robert D. Jay, Assistant Treasurer, International Banking Department; Joseph E. Martin, Assistant Treasurer, Accounts Receivable and Peter H. Rothenberger, Assistant Treasurer, Installment Loan.

Mr. Byam joined Bankers Trust Company in 1933. He was appointed an officer of the bank in 1947 and named an Assistant Vice-President in 1951.

Mr. Person joined Bankers Trust Company in 1953. After serving for several years in the company's Metropolitan Banking Division as an account officer, Mr. Person was assigned to the development of branch office business in January, 1958. He was named an officer of the bank in 1956.

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On Jan. 2, Mr. J. Sinclair Armstrong will join **United States Trust Company of New York**, as an Executive Vice-President. As a member of senior management his duties will involve in large part all the aspects of the Trust Company's corporate relationships.

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Mr. Alfred S. Mills, President of **The Bank for Savings in the City of New York**, announced that the Board of Trustees has appointed Robert F. Marchant, Executive Vice-President. Mr. Marchant is Treasurer of the bank and will retain that title.

Coming to the bank as a bookkeeper in 1927, Mr. Marchant advanced to Assistant Treasurer in 1931 and Treasurer in 1945. He was named Vice-President and Treasurer in 1952.

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Adolph J. Langmack, Assistant Secretary of **North Side Savings Bank, New York**, died Dec. 15. He was 57 years old and had been associated with the bank for 40 years.

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Meadow Brook National Bank of Nassau County, Hempstead, L. I., announced plans to open three new branches in the next year. Meadow Brook now has 31 offices.

* * *

Ralph T. Tyner, Jr., Board Chairman and Harold J. Marshall, President, **National Bank of Westchester, White Plains, N. Y.**, have announced temporary reassignments for four officers of the bank, effective Dec. 22.

Vice-Presidents Edwin S. Lines and Ralph G. Holmes, both of White Plains, will assist Martin D. Ryan, Senior Vice-President and Chief Loan Officer of the bank. Mr. Lines will also continue his present duties as White Plains Regional Loan Officer.

With the bank since July, 1952, Mr. Lines was formerly Vice-President in Charge of the Installment Loan Department of the **Peoples National Bank and Trust Company** prior to its consolidation into NBW, as it is now constituted. In 1955 he transferred to the Commercial Loan Section and was subsequently appointed Regional Loan Officer for the White Plains area.

Ralph G. Holmes has been connected with NBW, also Peoples National Bank and Trust Company and the **New Rochelle Trust Company** for over 30 years.

Succeeding Mr. Holmes as manager of NBW's Peoples Office in White Plains will be David S. Bisset, Assistant Vice-President. He was formerly manager of the bank's office at 542 Main Street in New Rochelle. Mr. Bisset started his career with the former New Rochelle Trust Company, now part of NBW. In his new post, at the bank's main banking office, Mr. Bisset will be assisted by Frank Burke, Assistant Vice-President.

* * *

Richard J. Haug, Assistant Treasurer in charge of the Dobbs Ferry office of **County Trust Co., White Plains, N. Y.**, completed 25 years of service on Dec. 19. He was associated with the **Dobbs Ferry Bank** before its merger with County Trust three years ago.

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By the sale of new stock, the common capital stock of the **Scarsdale National Bank and Trust Company, Scarsdale, N. Y.**, was increased from $400,000 to $500,000, effective Dec. 8. (Number of shares outstanding—25,000 shares, par value $20.)

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Buffalo Industrial Bank, Buffalo, N. Y., received approval to increase the capital stock from $1,125,000 consisting of 112,500 shares of the par value of $10 each, to $1,406,250 consisting of 140,625 shares of the same par value.

* * *

Announced was the election of Colin H. Dennis as a Director of **Malden Trust Company, Malden, Mass.**

* * *

Five new officers were elected at a meeting of the Board of Directors of the **Worcester County Trust Company, Worcester, Mass.**, held on Dec. 23, it was announced by President Edward L. Clifford. Promoted to the rank of Assistant Treasurer were Robert D. Brace, Roger M. Corey, Richard A. Gabrielson and Stewart P. Washburn.

Mr. Brace joined the Worcester County Trust Company in 1954 and has been in various commercial departments of the bank, most recently as a credit analyst.

Mr. Corey joined the staff of the Worcester County Trust Company in 1955 and has been in the Proof, Check Master and Machine Records Departments and is now a Methods Analyst and Supervisor of the Machine Records Department.

Mr. Gabrielson entered the employ of the Worcester County Trust Company in 1926 and has served in many of its departments, presently in Methods.

Mr. Washburn joined the Worcester County Trust Co. in 1955 and has been a teller, in the Proof and Bookkeeping Departments, and is presently a credit analyst. Previous to entering the Worcester County Trust Company Mr. Washburn had been associated with the **National Shawmut Bank of Boston** and the **Windsor County National Bank, Windsor, Vt.**

* * *

At a regular meeting held Dec. 16 the Board of Directors of the **Rockland-Atlas National Bank of Boston, Mass.**, voted to recommend to the bank's shareholders at the annual meeting on Jan. 20, an increase in capital through the sale of 40,000 additional shares of capital stock.

If approved by the shareholders and the Comptroller of the Currency, the increase of capital will result in a total capitalization of 300,000 shares of stock of $10 par value. Currently, the bank has capital of $2,600,000 and surplus of $5,000,000. From the proceeds of the sale of additional shares, $400,000 would be added to capital and the remainder to surplus. Simultaneously, the Board intends to transfer from undivided profits to surplus a further amount sufficient to increase surplus to $7,000,000. As a result, capital and surplus would be increased from $7,600,000 to $10,000,000.

Also announced at the meeting was the election of A. Lawrence Peirson, Jr., as a director.

Announced on Dec. 17 were the following promotions:

John W. Ahearn, formerly Assistant Vice-President, to Vice-President, Bond Department; Francis B. Haydock, formerly Assistant Vice-President, to Vice-President, Commercial Loan Division; Robert H. Northup, formerly Assistant Cashier, to Assistant Vice-President, Personnel Department; Walter F. Taube, formerly Assistant Cashier, to Assistant Vice-President, continuing in charge of the Roxbury Office.

* * *

The common capital stock of **The First National Bank of Somerset County, Bound Brook, N. J.**, was increased from $762,500 to $1,000,000 by the sale of new stock, effective Dec. 10. (Number of shares outstanding — 40,000 shares, par value $25.)

* * *

George B. Kneass has been elected a Senior Vice-President and Stephen T. B. Terhune has been elected a Vice-President of **The Philadelphia National Bank, Philadelphia, Pa.** The elections effective Jan. 1, were announced by Frederic A. Potts, President, following the last meeting of the bank's board of directors.

Mr. Kneass, who has been head of PNB's Investment Division since 1942, when he was elected a Vice-President, resigned his post for one year in 1956 to accept an appointment as Assistant to the Secretary of the Treasury. He has been with the bank since 1934.

Mr. Terhune, who joined PNB in 1954, as an Assistant Vice-President, is associated with the bank's out-of-town division and serves as regional head of the New York and New England group.

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Walter J. Cummings will retire in January as Chairman of the **Continental Illinois National Bank & Trust Company, Chicago, Ill.**, after 25 years. He will be succeeded by David M. Kennedy, President.

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The Board of Directors of the **Uptown National Bank of Chicago, Ill.**, has proposed to shareholders of the bank an increase in the capital stock of the bank of $1,750,000 from $1,250,000 by declaration of a 20% stock dividend followed by the sales of 10,000 additional shares of stock, par $25 at $35 per share, effective on appropriate action by the shareholders and a certificate of approval issued by the Comptroller of the Currency.

* * *

Clare L. Gardner, Assistant Secretary, and Milne C. Storms, Assistant Cashier of **Harris Trust and Savings Bank, Chicago, Ill.**, will retire at the end of the year under the provisions of the bank's pension plan.

Mr. Gardner, who has been with the bank for almost 32 years, retires as officer in charge of the trust and real estate division. He was elected Pro Secretary in 1944, and Assistant Secretary in 1951.

Mr. Storms has been with the Harris Bank for almost 38 years. He was elected Assistant Cashier in 1944.

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By a stock dividend, the common capital stock of **The First National Bank of Iron Mountain, Mich.**, was increased from $100,000 to $200,000, effective Dec. 11. (Number of shares outstanding — 10,000 shares, par value $20.)

* * *

J. Gregory Juliano has been named public relations director of **The Michigan Bank, Detroit, Mich.**, it is announced by John C. Hay, President.

The post is a new one in the bank's structure and was created to keep pace with the rapidly expanding growth of the bank, Mr. Hay said.

Mr. Juliano has been with The Michigan Bank for the past five years and during that time has been an Assistant Branch Manager, Collection Manager and in other capacities.

He recently was appointed editor of "The Michigan Bank News" which made its debut in November of this year. He will combine his duties as editor along with his new public relations responsibilities.

* * *

Winona National and Savings Bank, Winona, Minn., increased its common capital stock from $200,000 to $400,000 by a stock dividend, effective Dec. 12. (Number of shares outstanding — 4,000 shares, par value $100.)

* * *

George G. Barnum, Jr., has been elected Vice-President of the **First American National Bank, Duluth, Minn.**

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Stockholders of **City National Bank & Trust Company, Kansas City, Mo.**, will be asked at the annual meeting Jan. 13 to increase capital from the present $5,000,000 to $10,000,000 in order to provide for a 100% stock dividend.

City National now has outstanding 200,000 shares of $25 par value stock; after the 100% dividend, there will be outstanding 400,000 shares.

R. Crosby Kemper, Chairman and President, said the same dividend rate will prevail on the additionally issued stock. The bank pays 80 cents a year, or a total of $160,000. The dividend requirement on the new capital will be $320,000 a year.

* * *

Liberty National Bank and Trust Company of Louisville, Ky., increased its common capital stock from $3,500,000 to $3,750,000 by the sale of new stock, effective Dec. 5. (Number of shares outstanding — 150,000 shares, par value $25.)

* * *

Coral Ridge National Bank of Fort Lauderdale, Fort Lauderdale, Fla., was granted permission by the office of the Comptroller of the Currency to open a new bank. J. D. Camp is President and T. V. Varnedoe is Cashier. The bank has a capital of $500,000 and a surplus of $250,000.

* * *

Organization of a new national Bank, to serve Northwest Dallas and the surrounding area, was announced Monday by F. M. Holt, founder and President of the proposed institution.

"The Bank, to be chartered as the **Northwest National Bank of Dallas, Texas**, will serve the northwestern section of the city."

Plans are to open the new Bank for business early in March of 1959.

The Bank will have common capital stock of $200,000, surplus of $200,000.

Vice-President and Cashier will be Tom J. Hardin, formerly an Assistant Vice-President of **Hillcrest State Bank**.

The directors to serve with F. M. Holt, President, are H. Leslie Hill, Wright Titus, Allen Clark, James L. Huffines, Jack Lively, and Dr. Frank J. Altick.

Preliminary approval of the Bank's charter was issued by the Comptroller of the Currency, Washington, D. C., on Dec. 9.

An organizational meeting of shareholders was held on Monday, immediately followed by a meeting of Directors.

Mr. Holt, President of the proposed Bank, served for three and a half years as President of the **First National Bank of Arlington**. However, earlier this year, he disposed of his stock in that Bank to prepare for the founding of the Northwest National Bank. He came to Arlington from the **Citizens Bank, Batesville, Ark.,** which he organized in 1953. His first banking connection was with the **Clark County Bank of Gurdon, Ark.** He also served six years as President of the **Merchants and Planters Bank, Warren, Ark.**

Mr. Hardin, who will serve the proposed Bank as Vice-President and Cashier, joined the staff of the Hillcrest State Bank in 1947. He was elected an Assistant Cashier in 1956, and Assistant Vice-President in 1958.

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The common capital stock of the **City National Bank of Beverly Hills, Calif.,** was increased from $1,300,000 to $1,560,000 by the sale of new stock, effective Dec. 8. (Number of shares outstanding — 156,000 shares, par value $10.)

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The Board of Directors of **Bank of Hawaii, Honolulu, Hawaii,** announced at their meeting on Dec. 19 the promotion of James D. Evans, Jr., and Robert T. Sasaki to Vice-Presidents.

R. A. Peterson, President, in announcing these appointments said that Mr. Evans will primarily concern himself with the supervision of the Hawaii Island Branches. Mr. Evans came to Bank of Hawaii in 1947. He joined the staff of **American Trust Company in San Francisco, Calif.,** working in the Real Estate Loan Department.

Mr. Evans was appointed Assistant Cashier of Bank of Hawaii in February of 1953, and was named Assistant Vice-President of Hawaii Island Branches in September of 1956.

Mr. Peterson said the Mr. Sasaki primarily will be concerned with the supervision of the bank's 14 Oahu Branches. Mr. Sasaki came to Bank of Hawaii in 1948 as a Cost Accountant. He was named Manager of Market Branch in 1952 and remained there until August of 1954, when he was named Acting Manager of Kaimuki Branch. He was appointed Manager of Kaimuki Branch in February of 1955. In May, 1957 he was named Assistant Vice-President in Charge of Oahu Branches.

E. A. MacDuffie With Gordon, Brady, Caffrey

E. Allen MacDuffie, Wall Street attorney who helped develop new programs which are now a permanent part of finance and bank-

E. Allen MacDuffie

ing, has become associated with the New York law firm of Gordon, Brady, Caffrey & Keller, it has been announced.

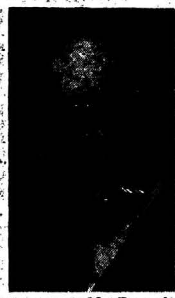
During the early days of the Securities and Exchange Commission, Mr. MacDuffie was SEC's chief interpretative attorney in Wall Street, resigning to practice law privately. He again returned to public service during the war years when he was with the Federal Reserve Bank of New York handling guaranteed loans to defense contractors. More recently Mr. MacDuffie aided in the establishment of the nation-wide Voluntary Home Mortgage Credit Program sponsored by the private mortgage lending institutions.

Our Attitude Toward Inflation

By BERNARD M. BARUCH*

In a fervent anti-inflation appeal to cast "aside indifference, apathy and selfishness," elder statesman Baruch, on the occasion of receiving the B'nai B'rith President's Medal, declares "deep down in our hearts we know how to cope with inflation" and achieve an adequate national defense. Mr. Baruch expresses impatience with the "nothing can be done philosophy" and calls for self-discipline and universal sacrifice to end the cancer eating away our economic and financial health, and our security and spiritual strength.

It seems to me that we Americans have grown indifferent to the crucial issues confronting us—issues which will govern our future and our children's future. I meet so many people who have lost, if they ever had it, the capacity for indignation.



Bernard M. Baruch

The public's attitude toward inflation illustrates a point. Inflation is a cancer which is eating away at our economic and financial health. It is undermining our security and our spiritual strength as well. It is responsible for much of the burden of taxation we bear; of the swollen prices we pay; of the debt with which our government is saddled; of the devalued savings of the average person who suffers most from it and can least afford it. Allow this malady to run unchecked and it will impoverish a people and destroy a nation.

Of course, like sin, inflation is denounced regularly. But unfortunately, like sin, it is tolerated, encouraged and indeed enjoyed by many.

There are some who say that inflation is not really very bad and that you can live with it, and there are others who think that they have a gimmick by which they can escape its consequences. Both are wrong.

Points Out National Defense

Or take another example. The dark shadow of the atom shrouds the world and threatens our very survival in the age of the missile. We are engaged in a great struggle—political, military, economic and psychological—with a powerful and dedicated opponent. Yet the American public seems almost torpid in its concern for our security. The quarrels within the government over questions of defense have done much to confuse us. But nowhere does there seem to be a determination to place national security over the demands of special interest groups. There are too many special interest groups in America today and not enough groups interested in America which is something very special in the history of civilization.

We must give first priority to our defense and maintain that priority as long as may be necessary. Of course we must at every turn seek to end world tensions. But we must not, in our anxiety for peace, be lured into a meaningless agreement which would require us to reduce our strength. Any agreement we enter must be effective and enforceable. Perhaps the present meetings at Geneva will provide a first step forward—but only a first step.

As regards the control of atomic and hydrogen bombs, the world will never be free of the threat of nuclear destruction until every nation is forbidden to have them.

Indifference Is No Defense

The psychologists might suggest that the public attitude of indifference or resignation is a defense against the terribly complex problems of our times. It is easy, in the face of such formidable tasks, to play the ostrich and devote oneself to gratifying personal needs and wants. The moderns call it escapism. But to what are they escaping?

Perhaps it is because we have grown accustomed to seeking the easy answer rather than the right one that even our young people believe that nothing can be done to overcome the major challenges confronting us.

I grow impatient with this "nothing can be done philosophy." Back in the days of the War Industries Board of World War I, we had a sign in our office which read: "They say it can't be done, but here it is." I have always believed that what human folly commits, human ingenuity can overcome.

"Down Deep" We Know

Down deep in our hearts we know how to cope with inflation, how to assure our security, how to overcome all the other dilemmas that beset us. We know that it requires self-discipline and the subordination of personal interest to the national interest. We know that it means universal self-sacrifice. Have we lost the strength of character to do this? Have we grown so apathetic that we will not rouse ourselves before some terrible tragedy overwhelms us? In time of peril, apathy is the unforgiveable sin, the irredeemable error.

History and tradition tell us that great nations and civilizations have died as much from internal decay as from external blows. Rome fell not because the barbarians swarmed in but because the character of her citizens grew soft and their capacity for self-discipline waned. Will future historians come to the same conclusion about us?

America cannot claim perfection. But this country, often hated abroad and too frequently derided at home, offers the best system of government ever devised by the minds and hands of men. I, who am moving into four score years and ten appeal to my fellow countrymen to remember that despite all the challenges she faces, our beloved America will overcome everything if each of us casts aside indifference, apathy and selfishness.

*From an address by Mr. Baruch at the B'nai B'rith Board of Governors' 115th annual meeting, New York City.

Yarnall, Biddle & Co. To Admit Partners

PHILADELPHIA, Pa.—Yarnall, Biddle & Co., 1528 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, on Jan. 1 will admit Joseph M. Chudomelka and Samuel M. Kennedy to general partnership, and Curtin Winsor and Marion Winsor Mirick to limited partnership.

On Dec. 31, Herbert V. B. Gallager, a general partner in the firm, will become a limited partner.

The Estate of James D. Winsor, Jr. will withdraw from limited partnership in the firm the same date.

"Wall Street Express" Makes "Christmas Stop"

DUNELLEN, N. J.—The "Wall Street Express" of the Reading Railroad made an unscheduled stop near here Dec. 18, so that commuting Wall Street businessmen could give a Christmas present to five factory workers.

The Philadelphia-New York flyer ground to a stop opposite a metal melting furnace of R. Hoe & Co., Inc., printing press manufacturers.

Down from the dining car hopped Walker Stevenson, Jr., of Princeton, N. J., of the investment firm of Hemphill, Noyes & Co., New York, clad in bright red Santa Claus suit, complete with whiskers.

More than 300 eyes peered out from every window of the train as Mr. Stevenson stepped over the southbound tracks of the main line of the Jersey Central Railroad, on which the Reading operates into New York. Waiting on the other side of the right-of-way were five overall-clad men.

Mr. Stevenson walked briskly up to their foreman, James Bryant, of Plainfield, N. J., shook his hand vigorously, and wished all five men a very Merry Christmas from the passengers of the Wall Street.

Then, he slipped a sack which was brim-full of bills of various denominations into Mr. Bryant's hand, turned, and dashed back to the train.

As Mr. Stevenson turned to wave a final farewell, the five men unfurled a greeting of their own to the passengers. It was a four-foot long sign reading, "Merry Christmas, Wall Streeter!"

With that, Conductor Andy Maag, of (106 S. 7th St.) North Wales, Pa., gave his engineer the high sign. And, after a toot of the whistle, the train was away to New York.

The third annual Christmas tribute of the Wall Street passengers to the group of workers who have waved a daily greeting to them since 1956 was ended.

It all took less than two minutes. Back on the train everybody was happy. Said Mr. Stevenson as fellow passengers helped him out of his suit, "What a happy feeling this gives us all. It helps make our Christmas complete."

James S. Morgan, of Wyncote, Pa., was "Chairman" of the event, assisted by Mr. Stevenson; Richard Y. Fuller, Yardley, Pa.; Walter Bartlett, Morrisville, Pa.; Joseph Hibbard and Allen Horton, Philadelphia; Robert Moore, Wyncote, Pa.; Newbold Smith, Haverford, Pa.; R. C. Rudisill, Glenside, Pa. and Donald Strachan, Stewart Duncan and James Ackerman, all of Princeton. Many of the riders are Wall Street bankers, brokers and investment counselors.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks turned reactionary this week but with volume contracting after the industrial average had forged to within touching distance of the 580 level where resistance was rather generally expected.

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The business of selecting target areas is far from being an exact science now that the industrials have broken through again to territory never before seen in history. Estimates of probable earnings, multipled by the higher price-times-earnings ratios seen in earlier periods of market confidence, are the most accepted method currently for determining goals.

* * *

American Telephone had quieted down rather abruptly after it had single-handedly carried the average through the November peak that was the last hurdle surmounted. The surprise announcement that it had, at last, abandoned the classic $9 dividend maintained for more than a third of a century jolted Wall Street mostly because it came at a time when no attention was being paid to the company's meetings since the next dividend session normally would be in April. The company chose to split the stock and up the payment by 10% with a $3.30 basis for new shares after a 3-for-1 split—equal to $9.90 on the present shares. Hailing this concession to the changed value of the dollar these days over what it was in 1922, when the $9 policy was adopted, carried the average some 10 points above the old high before the new resistance developed.

New Cloud Over Oils

Oils were about as laggard as any other group what with new threats coming from Venezuela where determined efforts to cut into the profits by the administration threw a new cloud over their already hazy fortunes. There was also irregularity in the aircrafts where contract switching prompted some rapid layoffs, notably in the case of Chance Vought, and in the rails which are mostly certain to show poor earnings for the full year despite the recent pickup in their business.

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Strength continued to be definitely selective, leaving many issues neglected despite their good outlooks. Daystrom, for instance, showed little popularity in the recent near-craze for electronic issues despite its rather solid position in the field. Nor did it benefit too much from other fads for automation shares, or its participation in sub-assemblies for business machines. In part this might be credited to a name that gives little surface indication of its activities.

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Daystrom, which is probably best known publicly as a furniture maker, has expanded its electronic activities to where a third of its sales is from industrial instruments and nearly as much from defense work, leaving only 34% from consumer goods and this well larded with hi-fi and electronic equipment. Moreover, the company has been active in one still-secret project which has entailed a million-dollar expenditure for what is believed to be a completely automated chemical process. Its earnings picture for the current fiscal year is expected to be hampered by write-offs of obsolete inventory which would pave the way for a good earnings rebound in the future.

Satisfactory Outlook for Steels

Steels have been relatively stable, except for a few of the specialty companies such as Carpenter which had occasional but mild trouble. But the outlook for Carpenter is far from bleak and with its recently doubled ingot capacity there are some estimates around of earnings soaring to from $8 to $13, depending on how good a year the steel business generally will have next year. This makes its $2 current dividend look small. Like the others, Carpenter had a sharp decline in earnings for the last fiscal year, reporting a loss of $2.62 against earnings of $8 the previous year. The company's control of costs was reflected in black ink operations in the September quarter when consolidated operations were at only a third of capacity and pave the way for a sharp rebound as the recovery continues.

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The interest in shipbuilding issues, only sporadic at best, was at a low level lately even though the implications of the switch to atomic propulsion are profound. Newport News Shipbuilding, second largest in the field (after Bethlehem Steel which is not commonly regarded as a prime shipbuilding favorite) is in the forefront of both the merchant marine work and the Navy's swing to the newer type of motivation.

* * *

From the old days when foreign competition virtually ended all interest in American ship building, the industry today faces a period of stability that some sources estimate will run for at least a decade. And it should, but hasn't, add much to the investment status of the shipbuilding companies. Newport's yield, running well past 4%, is thoroughly respectable against the dwindling return on the issues that have had more investor attention.

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Dana Corp. is another case of a firm where the name scarcely indicates its nature which is original equipment for passenger cars and trucks and which, despite the poor record of the auto industry last year, was able to uphold its profits impressively. The company has only rounded out the first quarter of its fiscal year and is understood to have turned in a profit well above what it was a year ago. Its $3 payment on the shares offers a generous yield above 5% and is expected to be well covered by earnings. The company's present rate has been maintained since 1950 and its unbroken dividend record overall is heading toward the quarter century mark.

A Selective Attraction

Robertshaw-Fulton Control, with a yield of more than 4½%, is also a better-than-average return for a company that is making good progress in automatic controls. It is second only to Minneapolis-Honeywell in the control field. Minneapolis, however, has been the pet in recent markets and its yield is well under 2% at recent prices to offer a stark contrast. Robertshaw also had a dip in business in the recession along with the bulk of American industry, but during this year brought out more new or improved products than it had in half a dozen previous years and the result was a sharp increase in earnings in the September quarter with a better earnings trend continuing into the new year. Despite the company's progress the stock has done virtually nothing in the last five years, neither approaching the 1954 low of 18 nor last year's high of $36. It is a distinct refutation of any notion that the entire market has raced to high ground unanimously.

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

With Bateman, Eichler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Acton Cochrane is now affiliated with Bateman, Eichler & Co., 453 South Spring Street.

From Washington Ahead of the News

By CARLISLE BARGERON

Amidst the holiday season, with Congress arriving next month but with little news in the meantime, you can hear some of the darndest stories from Washington. Little things become magnified out of all proportions. There are stories of political party fights, efforts to turn over the leadership of Congress, of insurgents and liberals. Small items make the headlines.

Carlisle Bargeron

There are a hundred or so correspondents haunting the Capital every day. The newly arrived rookie Congressman can call a press conference and sound off on the whole scale of human affairs. A month from now he won't be able to get his name in the papers except on a roll call.

The late Senator Borah used to be a past master in the art of holding press conferences when nobody else was in town. He largely made himself a figure in national and international affairs by that device.

So now we hear stories of a tremendous fight developing in the Republican party as the "liberal" or "Eisenhower supporters" threaten to challenge the old guard leadership. Senator Dirksen, we are told, will be opposed for the post of minority leader. The "liberal" insurgents will demand more important committee assignments. We are told that this is necessary if the Republicans are to present a true picture of their party to the country. Past elections have proved, so it is said, that the Republicans cannot win as a conservative party. They must present a more "liberal" front in keeping with modern times.

About 10 Republicans have been meeting and getting all sorts of publicity in these dull days about their intention to overthrow the present leadership and seat members from their own group. Senator Case of N. J. is active in the movement, as is Senator George D. Aiken of Vermont, and Senator Cooper of Kentucky. They claim, all told, to have 17 votes which is half of what the Republicans in the Senate will be. Thus, on the basis of their claims, they have only to pick up one more seat and they have a majority in party caucus. All the "liberals," the ADA and other leftists are rooting for them.

They claim that they are the only ones who continuously support Eisenhower but inasmuch as they are not in the leadership, they never got to see him. As a result of Eisenhower's continued exposure to the conservatives, it is claimed, Eisenhower is coming to lean more and more their way, with the prospects that unless the situation is changed, Eisenhower's last two years will be conservative.

The strange thing is the more these "liberals" talk and issue statements the more Mr. Eisenhower doesn't seem to want to have anything to do with them. He has indicated that he would keep hands off the Senate fight, which is very good judgment on his part.

Well, these "liberal" Republicans have presumably served a purpose in that they have got their names in the papers and been widely advertised as "liberals" which they think is absolutely necessary to success in their particular states. But none of the political observers in Washington expect the movement to amount to a thing. Their movement may peter out even before the session opens, in which event they will not even make a fight. And, even if they elect to fight, the expectation is that they will be politely bowled over and the Senate Republican leadership will go right on as it is now. Which means that Senator Dirksen will be elected minority leader and Senator Styles Bridges will remain as Chairman of the Policy Committee.

This does not mean—the Senate being a highly individualistic body—that the Senators of that bent may not continue to go along being just as "liberal" as they ever were. And their influence will be just about what it was if they had gotten positions of leadership. Unlike the House, the Senate does not have caucus rules. They meet and discuss issues and decide which way they intend to go, but no Senator is bound by the decision.

As the Congress nears convening there is even doubt that Rule 22, the filibuster rule, will be materially changed. Support is withdrawing from sources that the "liberals" least suspected.

The prospects are at this time that what will be done is that the rule will be changed only to provide that a filibuster can be ended by a vote of two-thirds of those present instead of two-thirds of the membership. This is the way it used to be before reformers got to fooling with the rule several years ago. In their efforts to weaken it they tightened it up instead. The move this time would be to untighten it.

Goodbody & Co. Will Admit Two Partners

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange on Dec. 30 will admit James B. Goodbody to partnership, and on Dec. 31 Joseph Hartzmark. Mr. Goodbody will acquire a membership in the New York Stock Exchange. Mr. Hartzmark will continue to make his headquarters in the firm's Cleveland office, National City East Sixth Building, of which he is manager.

Kidder, Peabody & Co. Will Admit Jos. Vostal

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Joseph Vostal to partnership.

Mabon & Co. to Admit New Partner

Mabon & Co., 115 Broadway, New York City, members of the New York Stock Exchange, on Jan. 2 will admit John J. Gessner to partnership. Mr. Gessner is Manager of the utility bond department.

With MacLaughlin Secs.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Joseph J. Kudzia has become affiliated with Leo G. MacLaughlin Securities Co., 65 South Euclid Avenue. He was formerly with Dempsey-Tegeler & Co.

Changes in Dollar-Sterling-Franc Ratios in the Offing

By PAUL EINZIG

After considering the probability of sterling convertibility and possibility of French franc's undervaluation, in 1959, Dr. Einzig hypothesizes their impact upon the American dollar. Aware that depletion of all foreign funds from U. S. A. in form of gold still would leave us a considerable reserve, the commentator opines the changed currency ratios if they occur, would soften and place the dollar on the defensive, and compel the U. S. A. to consider the international scene in fostering monetary policies. Fears, for example, that our pursuit of disinflationary measures when our economy should expand would jeopardize Free World's cold war strength.

LONDON, Eng.—Notwithstanding the repeated and emphatic official denials of the possibility of a dollar devaluation, rumors to that effect continue to persist in London and on continental foreign exchange markets. The disappearance of the premium on forward dollars for the first time since the War, in spite of the lower interest rates prevailing in New York, speaks for itself about market sentiments. The continued outflow of gold from the United States and the anticipation of renewed inflation during 1959, are mainly responsible for this pessimism. Considering the large size of the American gold reserve it is of course ridiculous to imagine any conceivable circumstances in which the United States could find itself forced to devalue. After all, even if all foreign funds were to be withdrawn in the form of gold there would be still a very considerable reserve left.

Dr. Paul Einzig

It seems probable that the British Government will make use of the prevailing sentiments in the foreign exchange markets some time during 1959 for making sterling fully convertible for non-residents. It is definitely understood that the Government no longer considers it necessary to await a considerable strengthening of sterling before embarking on convertibility.

Why Sterling Can Be Freed

Until recently sterling was regarded as a weak currency, and in order to be able to risk convertibility it would have been necessary to double and more than double the present British gold reserve. During the last month or two, however, confidence in sterling increased considerably—not because of any inherent improvement in the British economy but largely because of the development of a minor wave of distrust in the dollar. A few months ago the immediate effect of restoring the convertibility of sterling would have been the large-scale transfer of funds from London to New York by holders of sterling anxious to acquire dollars while the going was good. Today such transfers would be negligible. For this reason convertibility will not entail at the moment any unduly grave immediate risk. The game can now be played from strength, not from weakness. Indeed, it even seems possible that a return to convertibility would attract funds to London, though not on a scale that would affect the dollar to a noteworthy extent.

A major attack on the dollar may conceivably develop, not through any moves in British monetary policy but through monetary developments in France. As is well known, French holdings of dollars and dollar securities are very substantial. At the moment there is no indication of any large repatriation though some holders would, if they could, switch into gold. Should, however, the franc be devalued once more to an appreciable extent, the experience of 1928 and subsequent years might repeat itself. It will be remembered that in 1928 the Government of Poincare decided to stabilize the franc at such a low level that it became grossly undervalued. This, together with the confidence inspired by the achievement of political stability, induced a great many Frenchmen to repatriate their funds, mainly from London. The result was a weak trend of sterling and a decline of the Bank of England gold reserve. This was largely responsible for the suspension of the gold standard in 1931.

French Repetition of 1928?

As in 1928, France has now achieved once more domestic political stability. Should this be accompanied by an under-valuation of the franc through another devaluation, there would be once more repatriations of French capital on an infinitely larger scale than the late 'twenties and early 'thirties. This time French capital would be repatriated mainly from the United States. The result would be a persistent adverse pressure on the dollar and an accentuation of the outflow of gold.

Fortunately, it is by no means certain, however, that the franc will be devalued. To do so would be highly damaging to General de Gaulle's prestige, and it would weaken his popularity. What will probably happen will be a change in the parities of the franc in order to eliminate two noughts. French people have grown thoroughly tired having to reckon in big figures and there is a strong demand for the adoption of the franc that could look the dollar and the pound in the face. Possibly this end would be achieved through simply making one new franc equal to a hundred old francs. In a way that would merely amount to an arithmetical change.

It is by no means inconceivable, however, that this operation would be combined with some degree of devaluation. Should the degree of devaluation leave the franc undervalued in comparison with the relative price levels in France and abroad, wholesale repatriation of French funds would follow. The resulting weak trend in the dollar and large-scale losses of gold might induce other foreign holders too to withdraw their funds from the United States. The outflow of gold would thus become further accentuated.

Would Not Force Dollar Devaluation

Even so, there is not the slightest reason for expecting that any such outflow would assume sufficient dimensions to force the States to devalue the dollar in order to arrest the trend. On the other hand, the dollar would become a much softer currency and much of the international balances hitherto held in the United States might find their way to London or to come continental banking center.

Assuming a franc devaluation, the dollar would be decidedly on the defensive in 1959. It seems reasonable to assume that the monetary authorities of Washington are fully aware of the possibility of such developments and have their plans ready to meet the situation if it should arise. Hitherto, the United States were in the enviable position of allowing their monetary policy to be guided almost entirely by considerations of the domestic economic situation. They could safely disregard the international factor because they could afford to lose almost unlimited amounts of gold.

Affect Free World's Strength

A further substantial decline in the safety margin of the gold reserve would make it necessary, however, for the monetary authorities of the United States to think in terms of resisting the outflow. To that end it might conceivably become necessary to recort to disinflationary measures even when such measures were not called for by the domestic economic situation. This would be a matter for regret, because it would hamper business expansion at a time when such expansion would be justified on the ground of the domestic economic situation.

For this reason it is to be hoped that General de Gaulle will be able to avoid a devaluation of the franc. It would be to his interests to avoid it but it would also be to the interests of the United States and of the whole free world depending on American financial strenght and on the expansion of American production for its survival against Communist economic aggression.

Coast Exch. Division Receives Nominations

Nominations for the Chairman of the Board of Governors of the San Francisco Division of the Pacific Coast Stock Exchange were announced by Earl T. Parrish, Parrish & Maxwell, Chairman of the Nominating Committee. The Annual Election will be held on Jan. 21, 1959.

George W. Davis

Nominations were as follows: For Chairman of the Board: George W. Davis, Davis, Skaggs & Co.

For Members of the Board of Governors: Ernest E. Blum, Brush, Slocumb & Co.; Calvin E. Duncan, Calvin E. Duncan & Co.; Harry F. Flachs, Lawson, Levy, Williams & Stern; Merl McHenry, J. Barth & Co.

The following are carry-over members of the Board: Warren H. Berl, Sutro & Co.; George J. Otto, Irving Lundborg & Co.; Scott H. Stewart, Jr., Shuman, Agnew & Co.; and Ronald E. Kaehler, President.

R. S. Burns Opens

RICHMOND HILL, N. Y.—Robert S. Burns is engaging in a securities business from office at 87-60 113th Street. Mr. Burns was formerly with A. M. Kidder & Co., Sutro Bros. & Co. and Blyth & Co., Inc.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Bank Stocks

Periodically, the *"Chronicle,"* the NYSE and the American Stock Exchange issue data giving the dividend continuity records of stock listed on the exchange or traded in the Over-the-Counter Market. As the writer recalls, the longest unbroken record of a listed issue in the neighborhood of about 110 years, is held by the Pennsylvania Railroad. Now, any company that has been able to maintain uninterrupted dividend payments for anything like a century has certainly hung up a record that is to be envied. Some industrial companies have done unusually well in this respect, too, for example a number of insurance organizations.

But the top prize must necessarily go to the banks (all traded in the Over-the-Counter Market) and particularly those in New York City. If we were to list those whose statistics are carried in this department from time to time we would find that dividend continuity of the group would average out at over 75 years, and for corporations of any sort this is an outstanding record.

Starting with Bankers Trust, we find that it has paid uninterruptedly since the year of its organization, in 1903.

Bank of New York, organized in 1784, has paid without a break in its record since 1785, for 174 years. It happens that First National Bank of Boston has a record dating from the same year. In the depression of the 1830's Bank of New York was ordered by the State of New York to omit its dividend because of the serious economic conditions; but the omission was made up a year or two later and the record kept intact.

Chase Manhattan Bank can use Bank of Manhattan's record which goes back to 1848, although Manhattan had been organized in 1799. Chase dates its existence from the Civil War days, the bank having been named for one of Lincoln's cabinet members.

We are all familiar with Chemical's origin as a manufacturer of chemicals. Indeed, this part of the business was carried on for some time before the banking part of the venture was ascendant. Chemical's record, unbroken, dates from 1827; its incorporation from 1823. Corn Exchange Bank had paid without a break since 1853; it was merged with Chemical several years ago.

Empire Trust is one of New York's "younger" banks. Organized in 1902, it has an unbroken record of payments from 1905.

First National City Bank was organized in 1812, during the war with Great Britain, and it has paid dividends since a year afterward. A component, the old First National Bank dates from the Civil War days, 1863, and its record of payments was unbroken from 1864 until it merged with National City Bank a few years ago, 1955.

Organized in 1864, the record of Guaranty Trust on dividends goes back only to 1892, unbroken. It could go further back if the older National Bank of Commerce were used as the origin. These two merged in the late 1920's.

Hanover Bank's starting date depends on which of three components (omitting smaller mergers) went into the consolidation, Central Trust Co., Union Trust Co., and Hanover National Bank. Operations have been conducted since 1873 under Central Trust's New York State charter, giving a record of about 86 years. A longer span could be argued, as Hanover National dates from 1851.

Irving Trust was organized in 1851, but its unbroken record of payments goes back only to 1907, or 52 years.

Manufacturers Trust Co. dates its continuous record from 1909.

J. P. Morgan & Co., Inc. has paid uninterruptedly since 1941. However, prior to that date the organization had been a partnership, as a private bank, and there is no public record of its affairs in this connection. Of course, from this time out its record will really be Guaranty's as a result of the recently announced merger between the two institutions.

New York Trust was incorporated in 1889 under a different title, and its uninterrupted dividend record started in 1894, giving a 65-year span.

United States Trust Co. celebrated its centennial in 1953; and its dividend continuity showing dates from a year later.

We thus have five of the 13 New York City banks with century (or longer) records, a high proportion in the banks of a large city.

Boston has 4; Philadelphia 4.

The banks have nothing to be ashamed about concerning their longevity record of dividends.

FIC Banks Place Debs.

The Federal Intermediate Credit Banks on Dec. 18, offer a new issue of approximately $137,000,000 of 3.45% 9-month debentures maturing Oct. 1, 1959. Priced at par, the debentures were offered through John T. Knox, fiscal agent for the Banks, and a nationwide selling group of securities dealers.

Proceeds from the financing will be used to refund $138,000,000 of 2% debentures maturing Jan. 5, 1959.

Talcott, McAlpin & Davis New Firm Name

The firm name of Talcott, Potter & Co., 41 East 42nd Street, New York City, members of the New York Stock Exchange, on Jan. 2nd will be changed to Talcott, McAlpin & Davis.

J. Freston Cullen on the same date will retire from limited partnership in the firm.

Steel Production Outlook

By WILLIAM S. STORY*

Director of Public Relations, Institute of Scrap Iron & Steel, Washington, D. C.

Measurably improved steel outlook over 1958 in 1959 is advanced by Mr. Story, who estimates 1959's production will be 113-115 million ingot tons out of 146 million tons capacity compared to estimated 85-86 million tons in 1958 out of a capacity of about 141 million tons. The scrap iron and steel spokesman assesses various segments comprising total steel demand; expects overall economy to show improvement over 1959; uncovers one gloomy prospect in steel exports and calls attention to two big questions — capital expenditures' trend and the possibility of a midyear steel strike.

Like most industries, the 1959 outlook for steel producers is measurably brighter than the industry's 1958 experience. The current year has been an uncommonly poor one for steel, with production totaling an estimated 85-86 million ingot tons — an amount which falls below the 1954 output, and which further, is the lowest level since 1949. Production in the year now closing is even more startling when compared to 1949 when we take into account the fact that the steel industry this year had 44 million tons more capacity than it had in 1949.

The reason for the improved outlook in steel is, of course, the expectation by major steel consuming industries that their business in 1959 will be better than in 1958. It is axiomatic that demand for steel is derived from the demand for products made of steel.

Outlook for the Economy

Turning, for a moment, to the general outlook, we expect that the economy in 1959 will show improvement over 1958. We do not, however, at this time expect 1959 to show a spectacular improvement over the year now drawing to a close. But there are a number of factors which could give added impetus to the recovery and push it to higher levels. One, of course, is a major rise in automobile demand over 1958; the second is a big reversal in the 1958 decline in spending for plant and equipment; a third would be Congressional efforts under pressure from unions to bring about full employment; the fourth would be a larger deficit by the United States Government; and finally, a sharp upturn in consumer spending. However, this forecast is not based on these factors.

The 1957-58 recession will go down as an inventory recession. Certainly this is true of the steel industry's business this year. Throughout the year, customers liquidated inventory, bringing their stocks to rock bottom levels. Inventory liquidation came to an end in the current quarter, and it is expected that a gradual process of inventory building will begin in the early part of next year. Actually, some has already started. During periods of business expansion such as forecast for 1959, steel users generally move to build up their stocks. If they follow their usual pattern, chances are good that they will increase their orders beyond immediate needs because of fears of developing shortages or slower delivery schedules. In this, of course, the possibility of a steel strike in mid-1959 will play an increasingly important role.

Thus in this forecast, in addition to considering the demand for steel from industries to produce the products they make, we are also taking into consideration an allowance for a gradual build-up in steel inventories.

Constituents of Steel Demand

In assessing the improvement in steel consuming industries and its effect on steel demand, the automotive industry merits first consideration. In a normal year, shipments of finished steel products to automakers will account for about 18-20% of total shipments. In 1958, in the first nine months, shipments of finished steel were about 16%, the lowest level since 1947. The steel industry is encouraged by the fact that automobile firms have come into the market in the past two weeks or so with increased demand for steel. Demand for cold rolled sheets, a prime automobile grade, has stepped up measurably. Demand for manufacturer's wire, another item used in automaking, has also increased. Steelmakers are expecting the automobile industry to produce its forecast 5.5 million passenger cars in 1959, but are currently hopeful that the apparent enthusiasm being registered by dealers around the country, plus the first sales figures on the 1959 models, mean that the forecast of 25% improvement will be bettered.

Steel distributors and warehouses are the next major segment in over-all demand for steel from the mills. Shipments from mills to distributors so far in the fourth quarter have been the best this year, and 1959 is expected to show still further improvement as these steel service centers feel the impact of general business improvement.

The appliance industry felt the recession some time before the situation was reflected in other industries. However, sales of major appliances (refrigerators, freezers, ranges of some types, and laundry equipment, for example) have been improving since July. In keeping with this, the level of steel shipments to these consumers is higher and has been an important leader in the over-all rise in shipments since mid-year. So far as 1959 is concerned, a sales increase for appliances ranging from 5 to 8% has been forecast. The makers of laundry equipment, for example, expect a 6% rise in 1959 over 1958, making next year the third best sales year in the history of their industry. A factor in these expectations, of course, is the increase in housing starts forecast for 1959, as well as improved consumer income.

We expect general construction to be better in 1959, bringing with it improved demand for steel from this source. The industry looks particularly for substantial growth in highway construction with its consequent important orders for wire mesh, reinforcing rods, culverts, and structural steel.

Railroads will probably start buying more in 1959 than their very bleak orders in 1958. Already there has been some improvement in orders for steel rails, and new orders have been coming in to car makers for freight and passenger cars. This has resulted in improved demand for steel plates. We don't expect railroads to become important factors in over-all steel demand, unless it is later in the year when their profit position shows the effect of improved carloadings for the first half. If the railroads run true to form, their car orders will start flooding in when the mills are already working overtime to provide plates for other consumers.

Improvement in demand for fuel oils because of stepped-up production in industry, coupled with an improvement in the general position of the oil and gas industry expected next year, is expected to bring higher steel shipments for oil and gas drilling in 1959 than in 1958.

In keeping with the outlook for construction next year, fabricated steel orders have already moved up. Bookings in October were higher than in the 1957 month, marking the fifth consecutive month this year this has occurred.

The steel industry's export markets present about the only area where the outlook is somewhat gloomy. Shipments in 1958 were far below the 1957 level—in the first nine months they ran 1.8 million against 3.7 million tons in the same 1957 period. World demand for steel has reflected domestic demand; it is not expected that this will show much improvement in 1959.

Two Big Questions

Two big questions remain for the steel industry in 1959. The first concerns the trend in capital expenditures. These dropped drastically in 1958, and it is hard to see any material change in the year ahead of us, particularly in view of the current capacity to produce goods resulting from $300 billion or so spent over the past 10 years. In steel alone, there is capacity now to produce about 141 million tons annually. This is 45 million tons more annual capacity than we had at the end of World War II. When new figures are announced in January, 1959, it is reasonable to expect that another 5 million tons will be added.

As in steel, there is ample capacity in most other industries to meet the expected 1959 demand without spending more on plant and equipment. One factor in the thinking, however, is the attitude of labor. It's entirely possible in view of the wave of strikes we have seen recently, plus higher labor costs, that management will feel it necessary to become more efficient by the installation of devices to help cut labor costs.

The profit picture in industry will determine the amount spent for capital improvement in 1959, but significantly, in keeping with better operations in the final quarter of 1958, there has already been some improvement in the outlook for this category of the economy.

The steel industry's second big question, of course, is the possibility of a steel strike at midyear. Chances are good that this will start playing a role in steel buying quite early in the year, but its major impact will probably not be seen until the second quarter. In the face of current posturing by the United Steel Workers, the expected heavy demands from them in June, and the determination of management to hold the line, it seems reasonable to expect that there will be fireworks.

But ignoring the effect of a steel strike and summing up the outlook for steel in terms of tonnage produced next year, as things stand now, even the pessimists put it at about 105 million tons minimum, while the extreme optimists see it going as high as 120 million tons, highest in history. For those who take the now somewhat tarnished middle road, 113 to 115 million ingot tons, or 2 to 4 million tons less than record 1955, is the expectation. It is hard to see production falling below 100 million tons as it did this year; it is relatively easy to see it rising to 115 million tons and perhaps somewhat more.

*An address by Mr. Story before the Business Outlook Conference for the Press, sponsored by the Chamber of Commerce of the United States, Washington, D. C., Dec. 9, 1958.

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Stock Market in the Coming Year

Mills, the erudite Chairman of the House Ways & Means Committee, recently made a speech before the Tax Foundation in which he spoke of the need of higher revenues but offered no new tax proposals. He did, however, say that the present steep progression in the personal income tax should be lessened, which leads to the belief that there is at least a tacit recognition on the part of the Democrats that if there is to be additional taxation it must come via the excise or sales tax route. Thus, it is probably safe to conclude that our present tax structure will not worsen.

In the field of labor policy the outlook is not clear, but it would seem that rising public awareness of the corrupt aspects of certain sectors of professional labor union leadership means that the most that labor can hope for will be a lessening of the pressure for reform, rather than additional privileges.

Labor and Inflation

Closely allied to the foregoing factor is the trend toward inflation, and here there is no doubt which way the wind is blowing. In a recent statement approved by the Executive Board of the AFL-CIO Industrial Union Department, Mr. Reuther of the United Auto Workers opposed slashing of the defense budget, urged an expanding program of public works, and added: "There is nothing to fear in an $80 billion Federal budget." At about the same time the Democrats Advisory Council issued a policy statement which said: "The main key to effective inflation control is sustained full employment and full production." It advocated "actions to insure an expanding economy in which full private and public consumption calls forth the high rate of productivity of which we are technically capable," and added "artificially restrained production has inflationary results." This is a reflection of the theories of Mr. Leon Keyserling, Chairman of the Council of Economic Advisors under President Truman, which are believed to be shared by many labor union economists. These theorists believe that increased government spending on a massive scale is the way to conquer inflation! Fantastic as such an argument seems, the fact is that a policy of this kind has substantial political attraction, and we are, after all, a democracy — it looks as if a lot more inflation was the price we will have to pay for it.

Invention, Fashion, and Services

A review of fundamentals can't omit three further basic facts. These are: (a) the rate of **invention** in this country — and in the world—is increasing, and this will accelerate **obsolescence** and in time assure a substantial increase in demand for capital goods. (b) As consumer incomes rise a smaller proportion of spending is devoted to necessities, and therefore, **fashion** and **design** become increasingly important in commercial life. This adds both to risk and opportunitiy and is an important factor in the evaluation of particular securities. (c) We customarily measure economic activity in terms of industrial production—but production is becoming progressively less important in the sum total of our economic activity, while **services** of all kinds become more important. It is because of the growing importance of services, where labor-saving techniques tend to be less effective than in production, that wage increases in the mass production area regardless of gains in productivity, have a progressively inflationary effect on living costs as a whole. Until our political atmosphere changes, and gains in productivtiy go to consumers rather than to labor we must reconcile ourselves to inflation as a way of life — regardless of developments in governmental budgets.

Demand for Investments

Let us now direct our attention to matters that bear more immediately upon the problem of the future of stock prices. The first of these matters is monetary policy. At the present time the freedom of action of the monetary authorities is relatively limited. The existence of a substantial number of unemployed, and the continued financing needs of the Federal Government, plus the fact that our industrial apparatus is operating well below capacity argue against any great further money tightening at present. On the other hand the rising trend of consumer incomes suggests no need for additional credit easing.

If the influence of monetary policy is to be neutral then the most potent price making factors are probably to be found in the area of the flow of savings. In this respect, this audience is certainly aware of the fact that personal savings are steadily increasing, and that they are to a growing extent institutionalized through such financial intermediaries as life insurance companies, pension funds, mutual funds and savings banks. Moreover, stocks are being increasingly bought by these institutions. This is true to such an extent that in the last five years institutional holdings of stocks have increased by an amount equal to two-thirds of all sales of new equity stocks in the period—$11½ billion.

In addition, a new trend is now developing which will in time have tremendous significance for the stock market. This is the trend toward the so-called variable annuity. The popularity of the College Retirement Equity Fund with teachers eligible to invest in it suggests that when similar annuities are generally available they will be eagerly bought, and purchases of stocks by life insurance companies will be correspondingly stepped up.

Investing Habits of Institutions

These facts have several areas of significance: (a) Institutional investors are conservative — they tend to concentrate their investments in a small list of high grade stocks. (b) Institutional investors possess professional staffs capable of making good long-term forecasts; therefore, they tend to bid stock prices up to levels which reflect not today's conditions, but a reasonable expectation of conditions which may exist as far ahead as several years from now.

A corollary of this combination of conservation and bold long-range forward discounting is that the relatively limited list of securities in which these institutions invest can be depended upon to reflect fully every favorable development which may occur, even of the most minor kind.

Rising Stock Prestige

With respect to the rising demand for securities, it is important to note that the flow of savings being invested in **stocks** by institutional investors is increasing because inflationary trends have caused bonds to lose investment status, while the good recession record of stocks with respect to dividend continuity is causing them to become more respectable and fashionable.

It should be emphasized at this point that the true significance of inflation from the point of view of the stock market is not that inflation necessarily increases the inherent value of stocks; as a matter of fact, inflation tends to impose financial strains on most corporations and impairs dividend-paying ability. What inflation does, however, is make bonds unattractive. Until bonds reach a yield level at which the buyer gets a reasonable current return **plus** an increment to offset inflation, they seem likely to remain in disrepute, of least with individual investors.

Supply of Equities Stable

So much for the demand side of the stock market—how about the matter of supply? For an answer, at least for the intermediate term, I call your attention to an article which appeared in the November issue of "Fortune" forecasting that the liquid position of large corporations would steadily improve next year. This forecast, based on a combination of factors including improving profits, increased depreciation allowances, a slow rate of inventory build-up and a relatively low rate of capital expenditures spells a continued low rate of creation of new equity issues. In addition, the locking-up effect of the capital gains tax, which has been especially apparent since the stock market got into new high ground several months ago, will operate with increased intensity next year to dry up the supply of stocks, and no early change in this tax seems likely.

Improving Quality in Stocks

Let us now briefly consider the matter of the **inherent values** in stocks. To begin with, since we are only in the seventh month of a period of business improvement, which seems likely to be extended, although possibly irregularly, it can be forecast with some confidence that the earning power of corporations will rise for the next several years. Population trends alone seem to assure this.

Effect of Stock Option Plans

We've already pointed out that liquidity trends especially rising depreciation reserves indicate improved quality—and dividend-paying capability—but there is another important factor to be considered in this equation, and that in the widespread adoption of management stock option plans. The existence of these plans gives managements the most powerful incentives to build quality into the stocks of the corporations they manage, for it is upon this quality, financial integrity and ability to assure continuity of dividends that corporate managements must in the last analysis depend for a comfortable old age. Moreover, these plans give managements a strong incentive to keep dilution to as low a level as possible, and this seems likely to continue to be a factor in restraining the issuance of new equity shares.

A Bullish Conclusion

Let us now summarize the argument:

The worldwide political outlook is not unfavorable. The worldwide economic outlook is for the present favorable, although in time our competitive position may turn less favorable. The domestic political outlook is not unfavorable, but contains elements which may impart an additional inflationary bias to the economy. The domestic economic outlook is good. The demand for securities seems likely not only to remain strong, but to increase—and, in view of the inflationary bias, to be increasingly focussed, at least while bond yields remain as low as at present, on stocks. The supply of stocks is apt to remain relatively low, while the earning power and quality of stocks will improve. The conclusion seems inescapable that although stock prices at present may seem high, the trend toward still higher prices is inexorable, and the investor's problem is merely one of sound selection of individual issues.

The Practical Problem—Emphasis On Quality Will Minimize Risk

We now come to the practical problem of the security analyst—the choice of securities. Here we should keep in mind the fact that institutional demand will continue to be one of the most potent price-making factors. Therefore, considerations of quality are extremely important.

Steels Favored

A group which has been steadily improving in basic quality and in investment acceptance in recent years, but which seems by no means yet to have fully reflected its present position and future potentialities, is that of the steels. While steel securities have advanced strongly in the market, present prices don't reflect the earning power that most of them will be capable of developing at some time within the next several years. United States Steel is the pre-eminent steel issue.

A group which has had a difficult time in recent years is the chemicals. Chemical companies have rapidly added new facilities, boldly begun the manufacture of new products and have competed fiercely in the markets for existing products. Profit margins in many cases have been severely depressed by the interaction of these factors. In the next several years an increased awareness of the futility of out-and-out price competition seems likely to develop, and therefore somewhat wider profit margins on existing products can be looked for. This factor, combined with the effect of the development of new products, gives reasonable assurance of a fairly strongly rising trend of earnings for chemical companies in the next several years. Dow and Monsanto, and in a less well-known category—Wyandotte will probably prove to be good choices in this group.

Similar to chemicals in some respects are the major rubber companies, and here a new horizon of earning power seems to be in the making, partly as a result of a change in the basic economics of the automobile market, which suggests that obsolescence rates are slowing down, with an implication of an increasing demand for replacement tires. It should also be noted that the major tire companies have had long experience with foreign operations, and, therefore, that these companies will be good potential beneficiaries from the rising rate of world trade noted earlier. Firestone, Goodyear and U. S. Rubber seem not overpriced under the circumstances.

Another area in which development is rapid is that of packaging. Recent changes in retail merchandising methods emphasize the importance to merchants of stocking goods that sell themselves, which in turn means better packaging. Some of the integrated paper-makers and the leading can companies will benefit greatly from this trend in coming years. Container Corp. and Continental Can are solid investments in this category while Crown Cork and Seal has intriguing possibilities.

The area embraced by the twin themes of invention and labor-saving are full of investment opportunity. Although the drug stocks seem to have been rather fully exploited at present market levels, some of the office equipment issues offer great potential, and in the area of electronic development certain of the major producers are not over-priced, all things considered. Names for consideration in this area are National Cash Register, Burroughs, Addressograph, Raytheon and International Tel. & Tel.

Financial shares in several categories will benefit from a number of trends now in operation. Banks should have better loaning and investment opportunities in the new year. Finance companies will find their services in increasing demand as the result of a continuation of the trend toward growing use of consumer credit, and, in addition, the business of leasing machinery and equipment will give these companies increasing scope. Stabilization of tax liabilities should enable life insurance shares to perform better, and the fire casualty companies seem to be at the end of a long unfavorable underwriting cycle. CIT Financial First National City Bank of N. Y. and Aetna Life Insurance Co. provide well assorted means of participating in these trends.

In the area of transportation there are many opportunities. The railroads will benefit from a rising trend of freight traffic, and the losses imposed upon them by the passenger business are receiving increasingly sympathetic attention. In addition, a merger trend may develop which would permit many economies. The integration of trucking operations with rail and sea transportation will be helpful not only to rails, but also benefit truck common carriers and lessors. Southern Pacific and Ryder System are two logical choices here.

Another regulated industry that is growing strongly and receiving increasing investment attention is the telephone industry. The shares of the two leading telephone companies—American Tel & Tel. and General Telephone—seem reasonably priced by any standard.

In conclusion I should briefly allude to an industry which faces many difficult problems, but which, nevertheless, offers investment values of the most solid kind—the oil industry. It is true that in the future the industry may not grow as rapidly as in the past, that conditions may well be more competitive, and the profits divided among a greater number of companies. Nevertheless, further growth does seem in store, and the great internationals should continue to receive a satisfactory share of the business. Standard Oil of N. J. and California, combined with Texas Co. and Royal Dutch, should constitute a cross-sectional investment with great strength and growth potential.

We've now reviewed the basic position of the stock market, concluded that it's not unfavorable, and in the light of that conclusion, indicated a few of the areas which seem to offer good investment value.

Ontario to Market $75 Million Debentures In the United States

The Province of Ontario, Canada, on Dec. 22 filed with the Securities and Exchange Commission a registration statement relating to the proposed public offering of $75,000,000 of 25-Year Debentures to be dated Feb. 1, 1959 and due Feb. 1, 1984.

Harriman Ripley & Co. Incorporated and Wood, Gundy & Co., Inc. are joint managers of the underwriting syndicate which is expected to offer the debentures to the public.

Net proceeds from the sale of the debentures will be used by the Province of Ontario for various purposes.

The debentures are to be direct obligations of the Province of Ontario. Principal of and interest on the debentures will be payable in currency of the United States.

Charles Henderson Partner

Charles F. Henderson & Sons, 29 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Peter W. Henderson to partnership.

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The Market Outlook

aligned in 1951 — about 130 for capacity vs. 125 for output—today industrial output at 141 compares with capacity of 180. This represents a substantial area for demand to grow into.

Under these supply conditions, competitive factors act to prevent run-away prices. Since there is no condition existing where excess dollars are chasing a limited supply of goods, we find such traditional inflation characteristics lacking. What we have been having primarily, is a cost-type inflation in the area of wage rates. The virtual monopoly power of unions has forced wage increases upon industry even during periods of slackened demand for the products of that industry. The result is that prices are forced up largely because the wage-cost of manufacture is increased, not because the demand for goods and excess dollars is pushing against the available supply. Competition among companies for capturing the consumer's dollar results in an underlying tendency toward pressure on the profit margin. This is temporarily mitigated when business turns upward from a recession but the forces become operative again later on.

Under the type of inflation encountered, we find that practically everything has been inflated in the general economy except corporate earnings. Corporate earnings on the whole in 1958 are running below what they were seven and eight years ago. Meanwhile, the Gross National Product has practically doubled and all other economic measurements have advanced:

	Gross National Product (Billions)	Wholesale Prices 1947-49=100	Average Weekly Pay in Mfg. Industries	Money Supply (Billions)	Corporate Profits After Taxes (Billions)	% of Gross National Product
1959	$465.0†	----	----	----	$21.5†	4.6
1958	436.0†	119.0*	$84.35*	$233.3*	17.5†	4.0
1957	440.3	117.6	82.39	226.3	21.8	4.9
1956	419.2	114.3	80.00	221.9	23.1	5.5
1955	39.75	110.7	76.52	216.5	23.0	5.7
1954	363.1	110.3	71.86	209.6	16.8	4.6
1953	365.4	110.1	71.69	200.9	18.1	4.9
1952	347.0	111.6	67.97	194.8	17.2	4.9
1951	329.0	114.8	64.71	186.0	19.7	6.0
1950	284.6	103.1	59.33	176.9	22.8	7.9
1949	258.1	99.2	54.92	169.7	16.0	6.2
1948	259.4	104.4	54.14	169.1	20.5	7.9

†Estimated. *Current.

The over-all measurement of economic activity—Gross National Product—measures the total dollar output of goods and services in the U. S.

What will be noted here is (1) Gross National Product in 1958 is off only 1% from the year before; (2) wholesale prices, average weekly factory pay and the total money supply are above the annual average for any previous year in the table, while (3) corporate profits are off 20% and received the smallest share of Gross National Product for all the years shown.

Rather than measuring against just one selected past year, it may be pointed out that in the three-year period—1948-50—Gross National Product averaged $267 billion and net corporate earnings averaged $19.7 billion. In 1958, Gross National Product was 73% higher than the 1948-50 average, whereas in the face of this substantial growth, corporate profits were actually 11% lower.

In the estimate for 1959, a new peak of about $465 billion for Gross National Product is generally expected. Yet net corporate profits are still likely to be under those of each of the past three years.

The theory of hedging against "inflation" via common stocks, for such a theory to have substance, should be based on the expectation that corporate profits will expand at least partially commensurate with a rising inflationary economy.

It may be naive to point out that the very same dollars apply to both earnings and stock prices—and one in the long run is normally contingent on the other.

Stocks in a general way have advanced in price largely because investors and speculators have been increasingly disposed to pay more for present earnings on the expectation of higher future earnings. This is not a new development, being as old as the market itself. While longer term expansionary forces are strong, we must at times be reminded that this process of enthusiastic anticipation results at some point in temporarily over-discounting the future.

If corporate profits, rather than expectations of future inflation are to be the chief factors shaping investment decisions, the prevailing level of stock prices still faces at least a testing period.

Market Policy

Over past months we have continued to advocate a prudent market policy. Stocks recommended by us for new commitments were concentrated in issues with individual features of attraction both in relation to market price and a comparatively favorable future earnings projection.

Such a prudent policy, in our opinion, should continue to be followed. It should be recognized at this advanced stage of the general market movement, that increasingly fewer stocks merit such consideration pending the materialization of a market correction which would bring equities generally into a more attractive buying area.

Hetherington Named By Exch. Firms Ass'n

James A. Hetherington, II, a partner in Goodbody & Co., has been elected Vice-President of the Board of Governors and Chairman of the Executive Committee of the Association of Stock Exchange Firms, it has been announced. Mr. Hetherington has been a member of the Board of Governors for several years.

Percy W. Brown

Percy W. Brown, partner in Hornblower & Weeks passed away Dec. 8.

Named Director

LOS ANGELES, Calif.—Cleveland Thurber, Vice-President and Chairman of the executive committee of Parke, Davis & Company, and senior member of the Detroit law firm of Miller, Canfield, Paddock & Stone, has been elected to the advisory board of American Mutual Fund, it was announced by President Jonathan B. Lovelace. Mr. Thurber is also a member of the board of directors of the Detroit Bank & Trust Company.

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Outlook for the Bond Market

torically, "what is more liquid than a security on which the holder has several points profit?"

And banks were not the only ones caught up in the swirl of rising bond prices. Financial institutions of all kinds were with them, lengthening the maturity of their portfolios, particularly in Government securities. Many business corporations and individuals also helped swell the "supply" of funds in the capital market and thus made possible the large flotations of corporate and municipal issues and the huge sales of longer-term bonds by the Treasury.

As a climax of this ebullient situation the Treasury undertook its June refunding and cash financing. In that operation the Treasury sold another billion dollars of long-term bonds and a huge $7.4 billion of nearly seven-year securities. A very substantial portion of these was taken by banks, insurance companies, savings banks, corporations, and individuals who had no intention of adding permanently to their portfolios. These buyers expected that at a later time there would be an opportunity to make the intended portfolio cut-backs in an even higher bond market.

The Summer Break in Bond Prices

Good news about a business pickup in May began to break in the newspapers about the time the Treasury refinancing was underway. As the figures came in, it became clear that May had been a far better month for business than April. Such figures as became promptly available showed that the improvement was continuing in early June. Nevertheless, expectations of better bond prices were hardly shaken, since the Federal Reserve was still expected to push a new supply of reserves into the market with at least one more reduction in reserve requirements.

Something of a chill went through the market in mid-June when a headline story asserted that the Federal Reserve had changed from its easy money policy. Actually no policy change had yet been made, but the suggestion was enough to remind the market that the Fed had not moved to increase the force of its easy money policy since April. Doubts grew that additional easing would really come. Tensions in the Middle East caused further uneasiness. Investors began to conclude that the bull market in bonds was over. As the business picture brightened a bit further in July, bond prices began to drop faster.

Under these circumstances the Treasury deficit began to take on new meaning. If the Federal Reserve could not be counted on to keep on easing credit and to float the deficit off on a wave of new money, then how could it be financed? And how big was it really going to be?

Against this backdrop, intermediate and long-term bond prices seemed to collapse. Long-term interest rates rose about ¼ of 1% even before there was any credit-tightening action of any kind by the Federal Reserve. In fact, the System had increased bank reserves, rather than decreased them, as a result of a massive operation to rescue the Treasury during its refinancing and cash borrowing in July. In August, after the Federal Reserve tightened stock market credit the rise in interest rates picked up even more momentum. By this time money market rates had joined the move, and the entire market tumbled down until after the completion of the Treasury's September-October cash financing.

In late September the rate on 90-day Treasury bills reached nearly 3%, and the yield on one-year Treasury paper was over 3½%. Intermediate-term yields were around 3¾% and yields on long-term governments were about 3⅞%. All this developed against a discount rate of only 2% and a reserve position of net free reserves in the $100 to $200 million are! What had happened to the normal relationship of a bill rate a touch below the discount rate and a yield on one-year Treasury securities equal to the discount rate or at least not more than ⅛ to ¼% above it? What had happened—should we throw away our old rule book?

Role of the Federal Reserve

It seems to me that what had happened was a clear demonstration that the level of interest rates is determined, like other prices in a freely functioning market, by the forces of supply and demand. While the Federal Reserve has an important influence on those rates, it is only one of many forces and it is not the dominant force under any and all circumstances. There is little that the Federal Reserve policy can do to affect credit demand. It can curb the use of credit for purchasing and carrying listed stocks. It also can influence somewhat the timing of certain borrowing demands—but this influence may be perverse as well as positive.

Basically Federal Reserve policy affects interest rates through its ability to promote an enlargement or contraction of the supply of loanable funds. To some degree this ability reflects the reactions of individuals and other nonbank lenders to credit policy actions, or anticipations of such actions. But the real force behind Federal Reserve policy is its direct influence over the availability of its indirect influence over the cost of commercial bank credit. Because it is such a key force in credit markets, it is ordinarily decisive in setting the tone of the credit market as a whole, in affecting the actions of nonbank participants in the market, and thus in influencing the trend of interest rates.

But these influences are overriding ones only if the Federal Reserve is prepared to back up any particular desired level, or any particular desired trend in interest rates with whatever expansion or contraction in the money supply may be necessary to achieve it. In the circumstances as they developed last summer, with the background of an improving business picture and an enormous Federal deficit, the Federal Reserve simply did not want and could not attempt to hold the level of interest rates reached last April and May. To do so would have required much more massive further easing, if indeed that would have been enough.

The facts were that over the first half of 1958 both private borrowers and the Treasury had done a huge refunding job. Investors were overextended, and many of the marginal investors in the market were only there temporarily. The overburden of supply of intermediate and long-term issues—Government, corporate, and municipal—simply came crashing down on a market that was everywhere topheavy with such issues.

Should the Federal Reserve Have Supported Bond Prices

Whenever something happens to the prices of bonds that is unexpected, displeasing, or unusual, there is usually a hue and cry that the Federal Reserve should give up dealing only in short-term Governments and should intervene directly in the long-term market. This is supposed to be the broad-guaged, grown-up point of view. Those who do not agree are said to be unimaginative, old-fashioned thinkers or dealers who are said to like wide fluctuations in prices.

This year the hue and cry was louder than usual for the System to deal in long bonds. But what did these advocates wish the System to do? Last December and January it was said that bond prices were rising too fast. Presumably the Federal Reserve should have sold long bonds. But in March, April and May some of the same people were saying that long-term interest rates ought to be even lower than they were and that the Fed should buy bonds to reduce interest rates further. But that would have compounded our later problems, for by July and August the interest-rate lever-pullers would have had the Federal Reserve pegging bond prices when everybody in the market knew there would be an avalanche of bond selling if somebody would just stand ready to buy.

Of course, the more sophisticated advocates of the Fed's dealing in bonds do not speak of pegging. They talk about flexible guidance to the market. In mid-July the Federal Reserve was panicked by the Near-East crisis into trying some of this. In about three business days they found themselves supporting a Treasury refunding at a cost of over $1 billion of buying. And to what purpose! Investors who were trapped by those operations now have certificates or bonds at comparatively sizable losses and are properly reminded that they should be distrustful of all such Federal Reserve actions that may occur in the future. And the level of interest rates today is probably not much different from what it would have been without that intervention.

Had the Federal Reserve intervened in the long-term market decisively enough to hold the level of bond prices—and that would have required the equivalent of a flexible pegging, not flexible guidance—the job done by the Treasury over the first half of 1958 to extend the maturity of the debt held by the public (that is, outside the Treasury accounts and the Federal Reserve) might well have been largely undone. The Fed would have bought back the intermediate and long-term bonds and would have given investors certificates and bills. From the standpoint of debt management, what kind of sense would such a maneuver make? And from the standpoint of anti-cyclical monetary policy would it have made any sense either? The Fed's problem last summer was shifting from fighting recession to avoiding any further monetary stimulation to an inflation psychology—hardly a time to be injecting new reserves into the market to hold up bond prices.

Present Interest Rate Situation

Over the past fall, interest rates have declined slightly, and a less unusual relationship has developed in the structure of rates. There has been a relaxation of the pressure on long-term rates, partly because of a slowing-up in new corporate issues and partly because, at the low level of bond prices reached in September, the ranks of the sellers thinned. With the change in the discount rate to 2½%, short-term rates also steadied and fell into a less abnormal pattern with respect to that rate.

A very substantial temporary demand for money market securities from nonbank buyers has made it possible for the Treasury to finance its deficit at declining rate. The short-term Government market has shown considerable breadth and depth. The intermediate and longer-term Government markets, however, are in precarious balance and very thin. This is harly a surprising condition in view of the over-invested position of most commercial banks and some others in these sectors of the market and of the potential financing needs of the Treasury.

Outlook for Interest Rates

Not always is it possible to speak with conviction about the future of interest rates. Last year at this time we could do so. Today is not such a time. Business has been improving, and the majority probably expects that improvement to continue into next year. There is, however, a wide range of views as to the pace of business improvement and how long it may last. In many respects the outlook for credit demands from consumers and business is even less clear over the next few months. The only thing that seems perfectly clear is that the Treasury still has a large and difficult financing task ahead of it.

Probably the best way to approach an analysis of the outlook for interest rates is to review the supply and demand factors that may be significant in the various maturity sectors of the credit market. Take the supply side of the money market area first. As we have indicated, corporate demand for money market paper has been strong in the last two months. After perhaps some seasonal setback in the next few weeks, corporate demand for such paper will probably expand somewhat further in January and February. Corporate profits are rising while for a time the needs for funds for financing additional inventories and accounts receivable will probably not increase at the same pace, even if business activity continues to improve. Funds available to the money market from other sources, such as foreign governments, have also enlarged recently and may continue to supply money to the market, at least for a period. Most important of all, however, is the outlook for the credit supply at commercial banks. This may not expand much after allowance for seasonal factors, since it is doubtful that the Federal Reserve will wish to permit much monetary expansion, unless business falters. If commercial bank credit begins to grow too fast, or fails to decline seasonally early next year, the Federal Reserve may take steps to hold it down by putting more pressure on bank reserve positions. And, the replacement of this half year's tax anticipation deficit financing may create just such a grouping of circumstances.

Demand for commercial loans at banks has not been strong this fall, considering it on an over-all basis. Weakness in demand, however, has been concentrated in a few large cities, particularly New York and Chicago—a situation that parallels developments in some past early recovery periods. Excluding those two cities, for example, commercial loans have increased about as sharply during the second half of this year as in the boom years of 1955 and 1956. Part of the loan weakness in the major centers has reflected the late start on automobile production and a resultant decline in sales finance company borrowing. If automobile sales are reasonably good over the next several months that factor may change direction.

From the standpoint of credit demand, however, the dominant force will be the Treasury's financing needs. The Treasury has financed most of its deficit this fall the only way it could under the circumstances—that is, by postponing its permanent financing until the first half of next year. For the most part it has sold securities which have merely anticipated next year's tax receipts. Because there will not be a seasonal budget surplus in the first six months of 1959, but a deficit instead, it will be necessary for the Treasury to raise this cash over again. Unless we are prepared to predicate an easier monetary policy so that the job can be done largely at the commercial banks, there should continue to be pressure on the money market due to this unsatisfactory budget situation.

Intermediate Maturity Area

In the intermediate maturity area of the credit market, much also depends on the financing and refinancing decisions of the Treasury. Basically there is, today, very little interest in extending portfolio maturities on the part of the average investor, and particularly the average commercial bank. As we have seen, that job was done last winter and spring. What liquidity remains in bank portfolios is needed. There is even some possibility that after the turn of the year, when tax considerations will change, banks may on balance shift shorter in their portfolios in order to strengthen their liquidity positions. At least at present it is problematical whether banks would choose to extend their portfolios.

On the other hand, the Treasury fells strongly about the need to place more securities in the intermediate and longer-term sectors of the market. This combination of investor reluctance and Treasury determination does not offer assurance to those who may be inclined to take a bullish point of view for intermediate-term bond prices—even if the business outlook looks less comfortable as we move into the first quarter of next year.

In the long-term credit market, corporate demands for long-term capital do not seem likely as of this time to change dramatically one way or the other over the next several months. The huge corporate funding operations of earlier this year appear to be behind us, and there is probably no reason to expect a new bulge in such borrowing. The issues of municipal securities promise to remain high. Taken together, however, corporate and municipal financing in early 1959 seems likely to run below the levels of the comparable period in 1958. Demand for mortgages has been large and seems likely to remain so, at least for a while.

On the supply side, there does not appear to be reason to expect an important shift soon in the flow of current savings seeking investment. Nor does it seem likely that there will be a great change in the supply of funds coming into the long-term market from various special sources, including the temporary investment of short-term funds. In a few words, the supply of long-term funds does not seem capable of being materially enlarged in the near-term future and it is not much, if any, larger than the demand due to mortgages and sales of corporate and municipal bonds.

There is, on the other hand, a large potential borrower, should market circumstances make such borrowing at all possible. The interest of the Treasury in placing its securities with nonbank investors suggests that, if surplus funds should appear in the capital market after the turn of the year, the Treasury will be eager to absorb them. Unless there is a serious setback in the general business situation, it is hard to see how long-term interest rates can decline significantly as long as the Treasury faces the pressing problem of financing as much as possible of its huge deficit outside the commercial banking system.

As to the somewhat longer-run, demand for an increased "insurance payment" (in terms of the interest rate) against long-run depreciation of the dollar and against the wider fluctuation in the capital values of fixed income securities seems to be becoming more widespread. If this is so, the future average level of intermediate and long-term interest rates may run somewhat higher than a casual view might suggest. This would not, of course, rule out intervening short-run decreases in interest rates such as were experienced in 1953-54 and 1957-58. But it could cause a material revamping of Treasury thinking concerning the issuance of long-term bonds.

Merrill Lynch Group Underwrite United States Freight Offer

United States Freight Co. is offering holders of its capital stock of record Dec. 18, 1958 rights to subscribe at $35 per share to 203,897 additional shares of capital stock on the basis of one share for each four held. Subscription rights will expire at 3:30 p.m. (EST) on Jan. 6, 1959. An underwriting group headed by Merrill Lynch, Pierce, Fenner & Smith will purchase any unsubscribed shares.

Of the net proceeds to be received from the sale of these shares, approximately $750,000 will be used to prepay conditional sale contracts for trailers, tractors and miscellaneous equipment previously acquired for use in "piggyback" operations; approximately $1,750,000 will be applied to the acquisition of additional "piggyback" equipment, and the balance will be used for general corporate purposes, primarily as additional working capital to finance expanded "piggyback" activities.

Through operating subsidiaries, United States Freight Company is engaged principally in furnishing freight transportation services, including domestic freight forwarding, foreign freight forwarding and local cartage. In the field of domestic freight forwarding, which during each of the last 10 years has accounted for more than 80% of the company's consolidated gross revenue, its subsidiaries handle in the aggregate a larger dollar volume and more tonnage than any other freight forwarding organization.

Jacques Coe Co. To Admit Weinburg

On Dec. 30 Martin J. Weinburg will acquire a membership in the New York Stock Exchange, and will be admitted to partnership in the New York Stock Exchange member firm of Jacques Coe & Co., 39 Broadway, New York City. On the same date Joseph E. Sullivan, member of the Exchange, will withdraw from the firm.

Cruttenden, Podesta to Admit New Partners

CHICAGO, Ill.—Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchange, on Jan. 1 will admit to partnership Donald R. Bonniwell, Donald Wales, James R. Cruttenden, William C. Karlson, and Whitney M. Stewart.

Hallowell-Sulzberger Admit

PHILADELPHIA, Pa.—Hallowell, Sulzberger, Jenks, Kirkland & Co., Philadelphia National Bank Building, members of the New York and Philadelpia-Baltimore Stock Exchanges, on Jan. 2 will admit Henry G. Reifsnyder to limited partnership.

Dempsey-Tegeler Branch

ARCADIA, Calif.—Dempsey-Tegeler & Co. has opened an office at 750 Sunset Boulevard under the management of Paul H. Desbrow.

Decline in Government Bonds Said to Aid Anti-Inflation Policy

Dr. Nadler finds that the drop in Government securities, in making banks reluctant to sell them at a loss, considerably assists Federal Reserve credit policies. The Economist reveals, despite reduced banking liquidity and large volume of outstanding loans, that banks can meet all legitimate credit demands and assist Treasury's borrowing-refunding operations.

A sure brake against any inflationary pressures in the near future is the current low price level of government obligations, according to Dr. Marcus Nadler, consulting economist to The Hanover Bank.

Marcus Nadler

In a report on "Banking and the Economy," published recently by Hanover, the economist points out that commercial bank holdings of intermediate-term government obligations have risen sharply, while prices have slumped.

"If prices of intermediate-term government obligations remain low — and particularly if they should decline further—the commercial banks will be very reluctant to sell them at a loss when demand for credit increases," Dr. Nadler continues.

Unwittingly Aids the Fed

The fact that the banks may be "frozen" in their government holdings will make tighter Federal Reserve credit policies much more effective, he explains.

The economist cites the key role played by the commercial banks in fighting the recession and in helping the Treasury meet the huge Federal deficit.

After November, 1957, when the Reserve eased its "tight money" policy, the banks used their newly-acquired excess reserves and bought large amounts of government obligations, Dr. Nadler observes.

The result was an increase in the money supply—which contributed to ending the recession—and an assist to the Treasury's refunding operations, he says.

Experience in the recession and recovery has shown that a well-managed commercial banking system gives "assurance that the economy can remain dynamic without deterioration in the purchasing power of the currency," Dr. Nadler adds.

Conclusions

The university economist and bank consultant draws these five conclusions:

"(1) **The commercial banks, the institutions through which credit is created and the policies of the Federal Reserve authorities are carried out, were materially affected by the recession and the recovery.** During the recession, the volume of commercial loans dropped sharply and interest rates also declined under the influence of the reduced demand for credit and the Reserve policy.

"The newly-created free reserves, stemming primarily from the lowering of reserve requirements, led to a substantial increase in commercial bank investments, especially government obligations. Thus there was an increase in the money supply since the volume of deposits created through increased investments exceeded the amount by which deposits were reduced through the liquidation of loans.

"(2) **The commercial banks played an important role in helping the Treasury meet the huge Federal deficit and in fighting the recession.** The strength of these institutions contributed materially toward preventing the recession from going too far and lasting too long. The decline in business activity, while sharper than during the previous postwar recessions, lasted only seven months.

"(3) **During the recession, the banks were able to restore in part their liquidity, which had been reduced in the boom and in the period of active credit restraint.** So long as the commercial banks have ample liquidity and the Federal Reserve does not increase reserve requirements, they are largely immune to the efforts of the monetary authorities to curb the expansion of bank credit. But after the banks have liquidated a large volume of short-term Treasury obligations and are forced to sell intermediate-term securities at a substantial loss to meet the requirements of their customers, they begin to ration credit. Then the policy of active credit restraint really becomes effective.

"By the same token, an increase in the liquidity of the banks places them in a stronger position to expand the volume of loans and thus to meet the credit requirements of industry, trade and agriculture.

"(4) **The vigorous business recovery which started in May also left its mark on the banks.** The Reserve authorities reversed their credit policy, causing a material reduction in the volume of free reserves and curtailing the ability of the banks to acquire government obligations. Prices of medium and long-term obligations slumped sharply and, unless the trend of interest rates does a turnabout, the banks will be reluctant to sell government securities in order to boost loans. This will act as a brake against inflationary pressures that might develop in the future. It also will tend to make the credit policies of the Reserve authorities effective sooner than in the boom of 1955-57.

"(5) **The recession and recovery have demonstrated the flexibility of the commercial banking system and the promptness with which it responds to changes in credit policy.** Despite their somewhat reduced liquidity and the large volume of outstanding loans, the banks can meet all the legitimate credit demands of the private sector of the economy. In addition, the banks assist the Treasury in its borrowing and refunding operations.

"A well-managed commercial banking system, aware of its responsibility as the guardian of the nation's liquid assets and guided by an independent central banking authority providing the reserves necessary for a sustainable economic growth, gives assurance that the economy can remain dynamic without deterioration in the purchasing power of the currency."

Hill, Darlington Co. To Admit J. E. Sullivan

Hill, Darlington & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, on Dec. 30 will admit Joseph E. Sullivan, member of the Exchange, to partnership. Mr. Sullivan is a partner in Jacques Coe & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market continues to reflect an uncertain and cautious attitude because there is considerable talk about a long-term bond being offered by the Treasury in either its new money raising venture or refunding operation, which will come after the turn of the year. It is well known that the Treasury would like to extend the maturity of the Government debt so that the flotation of more distant maturities for new money raising, or even for refunding purposes, would not be too much of a surprise.

However, the market for long-term Government bonds is thin and narrow, which means that the offering of such an obligation for new money or other purposes by the Treasury will have to be limited in size. The important demand for Treasury issues is still in the near-term sector and there are no signs yet of a change in this trend.

Longer Debt Issue Expected

The Treasury, according to the gossip in the money market, will offer next month a longer term obligation than it has been using in the recent operations, in order to obtain its new money requirements of about $2 billion. The terms of the new cash offering will probably be announced around the 8th or 9th of next month. The various advisory groups representing the commercial banks, the investment bankers, the mutual savings banks, the savings and loan associations and the insurance companies, are scheduled to confer with Treasury officials the first week of January. The inclusion of the savings banks, the savings and loan associations and the insurance companies in the Treasury conference group seems to indicate discussions will be held concerning the feasibility of floating a longer-term government obligation since these groups have, in the past, been attracted to some extent to the more distant maturities.

However, because of the changing economic conditions, there has not been the same appetite for fixed income-bearing obligations in the recent past as there was some years ago—not only among the insurance companies, the savings banks, and savings associations, but all investors, institutions, as well as individuals.

Treasury Must Rely on Institutional Investors

The inflation psychology which has been developed because of the erosion in the purchasing power of the dollar has been responsible in no small measure for the short-term financing which the Treasury has resorted to because there has been no real investment demand for the longer maturities of government securities. Therefore, with the inflation psychology as strong as ever, it is not expected that the Treasury will attempt to offer too sizable an amount of longer maturities in the new year financing.

It is evident that the institutional investors who provide the only important potential market for government bonds have been able to meet their needs via the ample supply of mortgages and corporate bonds. There has been, nonetheless, some letdown in the offerings of corporate bonds, and smaller applications for FHA insurance and VA guarantees indicate that the supply of mortgages could be less plentiful in the future. This might give institutional investors some leeway for the purchase of longer term government obligations, but these takings of Treasury bonds will have to be limited in amounts unless there is a more drastic curtailment in private borrowings and mortgages than is generally expected.

In spite of the desires of the Treasury to extend the maturity of the government debt, not very much is expected to be done in this direction as long as there is going to be uncertainty about the budget, and the other inflationary forces continue to be in the ascendancy. These conditions are not conducive to having money put to work in sizable amounts in long-term governments and other interest bearing bonds. The current trend is definitely in the direction of placing funds in equities, and this goes for institutions as well as individuals.

Short Treasury Issues in Demand

Because of the uncertainty that is prevailing in the money markets, the real demand continues to center in the short-term most liquid Treasury issues, and as a result there is good buying of these securities. This is the sector in which the Treasury has been able to raise its new money and indications are it will continue this way for a while.

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National Interest Must Come Ahead of Private Gain

on solvent government and sound money.

It is in this requirement that we have allowed ourselves to become weak. This basic requirement of our system is equally vital to all of us as individuals, and to every segment of our people — labor, management, agriculture, finance, professions, government, etc.

With fiscal soundness I would have no fear for the future—economically or militarily; I would anticipate the period ahead with enthusiasm for my children and with pride in the contribution of my own generation.

Defense Requires Sound Basis

Without solvency and sound money there will be neither solid economic progress nor national security with military preparedness.

Assurance of fiscal soundness in the future does not now exist. This is my concern.

We can not perpetuate national solvency and integrity of the dollar through continuous deficit spending, unchecked national debt, and spiraling inflation. This situation jeopardizes our system of government and our future.

With only two bonafide exceptions, we have been on a deficit financing basis for 29 years. The fiscal situation deteriorated faster this year than in any comparable peace-time period to my knowledge.

Between January and June, we moved from estimates of virtually balanced budgets in the past and current years to combined deficits totaling $15 billion.

Sees $300 Billion Federal Debt

At the present rate, Federal agencies would spend more than $400 billion in five years. This would mean a Federal debt of more than $300 billion is in immediate prospect. This would be the highest national debt in the history of the world.

During the past session of Congress we were forced to raise the statutory limit on the national debt twice within seven months. This was unprecedented. But we are forewarned. Some people are now contending the recent election was a mandate for even more dangerous Federal spending activity.

If more programs for non-essential spending should be adopted by the new Congress to be convened next month, our fiscal situation will deteriorate faster next year.

From experience it is to be expected that, if such new programs are enacted they will be long-term in nature with huge multi-year commitments for the future. It is programs of this kind that makes the Federal budget so difficult to reduce when the necesity is upon us.

Contrary to general understanding, recent great increases in Federal spending have not been for defense and foreign aid. They have been for domestic-civilian programs.

Since 1954 expenditures outside of defense, atomic energy and foreign aid categories have increased from $19.1 billion a year to $33.4 billion. This is an increase of $14.3 billion, or 75%.

It is in this category where we find so many Federal programs which may be popular, or even desirable, but nonessential.

Much of the domestic-civilian spending is for subsidies. And many of these subsidy programs are bottomless pits for Federal spending and contribute to sky-high inflation. Most of the proposals following the recent election were of this nature.

The Federal Government of the United States can not now pay its bills except by increasing debt and inflation. Revenue from present tax rates does not meet our commitments.

Interest on the Federal debt is now taking more than 11 cents out of every tax dollar, and chronic inflation has reduced the purchasing power of our money 52%. The American dollar is now worth 48 cents by the 1939 index.

Inflation destroys fixed incomes, provident investment, prudent business, sound financing, national security, and democratic government.

More than 20 years of destructive inflation in this country to date have led to continual demands for increased subsidization.

The Federal Government is now subsidizing business, industry, private finance, agriculture, transportation, power, health, education, States, localities, individuals, etcetera.

By the process of cheapening our money and centralizing power in the Federal Government, we have descended to a level of state socialism which is obvious, if not admitted.

Social democracy is a subterfuge for sound government and constructive enterprise. Its evils are historically documented wherever nations have stooped to it.

Undermines Free Enterprise Democracy

Herein lies my concern, as I indicated before. Our free enterprise democracy is being undermined. In our present position there is no assurance of fiscal soundness for the future. In these circumstances, how can we hope fully to develop the great potentialities which lie ahead?

I think the situation is urgent. We must start Federal fiscal recovery immediately. Such recovery must start with balancing the budget, reducing the debt, and stopping inflation.

This must be our goal. Responsibility for achieving it lies equally upon the President, the Congress and the people of the United States—individually and collectively.

The President originates budget recommendations, and the Congress enacts the authority for Federal spending. Both respond to the expressed will of the people.

The budget for the new fiscal year, beginning July 1, is being formulated at the White House now. I discussed the situation with the President last August when Congress adjourned. I have noted his actions since that time, especially his orders of the last few weeks. I hope and believe he will recommend a balanced budget for next year.

I wish to emphasize the seriousness of the problems confronting us. I believe by your own examination you would find I do not exaggerate the conditions we have allowed to develop, or the consequences we might expect if we continue on our present course.

The Federal position alone is bad enough, but we must keep the whole picture in view.

Background Facts

As background keep these facts in mind:

Total public expenditures in this country—federal, state and local—this year will be approximately $145 billion.

Federal, State and local governments this year will take approximately $130 billion out of the pockets of American taxpayers in revenue receipts from all sources.

In their regular budgets Federal, State and local governments this year will run deficits totaling some $15 billion.

Public debt—Federal, State and local — this year will approach $350 billion.

Private debt now totals more than $500 billion.

This means our economy is burdened with indebtedness amounting to between $800 billion and $900,000 billion. This is close to a trillion dollars. These are figures beyond ordinary comprehension.

When individuals become insolvent, they take bankruptcy and dispose of their obligations. When governments become insolvent their money becomes worthless, and they go through some kind of a revolution wringer. The nature and the process may vary. But invariably the form of government is changed. Democratic government, as we have known it, could not survive.

Of course, I concede the necessity of deficits in extreme national emergencies.

For the first 150 years of our history we met our emergencies when they arose, but when they were over we promptly restored sound financing, characterized by balanced budgets, and began paying off the debt.

Under this practice, combined with our wealth and natural resources, this nation grew great in the short span of a century and a half. But in our time we have not only continued exploitation of our resources, we have abandoned our traditional policy of fiscal soundness.

For 25 years, through 1955, we were on a deficit basis without real exception. In that period the Federal debt rose from about $16 billion to $274 billion, and from 1939 the value of the dollar dropped at an average of more than 3 cents a year.

Finally, in two consecutive fiscal years, 1956 and 1957, we brought the Federal budget back into real balance. At the same time we financed substantial tax reduction, reduced the debt and slowed inflation down to a virtual stop.

After a quarter-century of deficit financing, rising debt and spiraling inflation these balanced budgets gave us reason to hope we were back on an even peace-time keel.

Can't Understand 1958 Fiscal Reversal

But for reasons I shall never understand, the President in January 1957, brought in his budget for fiscal year 1958 proposing an $8 billion increase in expenditures. It was the biggest peace-time spending budget to that date.

You remember that budget two years ago. The country was shocked. There has never been anything like the opposition which developed spontaneously from the grass roots of this nation.

Congress responded, and reduced appropriations by billions. But in the complexities of big government, with tremendous balances remaining in prior appropriations, expenditures rose notwithstanding. They were rising before sputnik and recession appeared on the scene.

This brought us to the conditions of the past fiscal year which ended June 30 and the present fiscal year which started July 1. Original estimates for these two years showed a combined surplus of $2.3 billion. By the latest figures this has changed to a combined deficit of $15 billion.

I emphasize these figures to tell the story of record breaking deterioration in the Federal fiscal situation.

Seizing upon sputnik and recession as justification, Congress in the past session insisted upon enactment of legislation which could require Federal expenditures at an annual rate of $80 billion for years to come.

All of the New Deal recovery programs from 1933 to 1939 combined cost us only about half of the current year expenditure budget.

This year's budget was exceeded only in the two peak years of World War II.

The Korean War has been over more than 5 years. But Federal budgets in that costly campaign never came close to the level of Federal expenditures reached this year.

When the present administration came into office it established a commendable record. It reduced expenditures in two consecutive fiscal years—1954 and 1955.

But from a low point of $64.5 billion in that period, expenditures have now been increased to this year's estimate of $81.7 billion. For accurate comparison this figure includes expenditures for highways and Federal National Mortgage Association which are now financed through so-called trust funds.

To show the tremendous increase in domestic-civilian expenditures — straight from the budget documents, here is the Federal spending record for the period from fiscal year 1954 to date:

(1) In categories other than domestic-civilian:

Expenditures for military functions have been INcreased $500 million, from $40.3 billion to $40.8 billion.

Expenditures for stockpile and defense production have been DEcreased $600 million from $1 billion to $400 million.

Expenditures for atomic energy have been INcreased $700 million, from $1.9 billion to $2.6 billion.

Expenditures for foreign military assistance have been DEcreased $1.4 billion from $3.6 billion to $2.2 billion.

Expenditures for foreign economic aid have been INcreased $400 million from $1.5 billion to $1.9 billion.

Expenditures for international affairs have been INcreased $100 million, from $200 million to $300 million.

(From these figures, it can be seen that Federal expenditures in categories other than domestic-civilian have been DEcreased $300 million since 1954, from $48.6 billion to $48.3 billion.)

(2) **But in the same period since 1954, domestic-civilian expenditures have been INcreased $14.3 billion, from $19.1 billion to $33.4 billion.**

Federal Expenditures—Fiscal Years 1954-1959
(in billions)

	1954	1955	1956	1957	1958	1959
National security:						
Military functions	$40.3	$35.5	$35.8	$38.4	$39.0	$40.8
Stockpile and defense production	1.0	0.9	0.6	0.5	0.6	0.4
Atomic energy	1.9	1.9	1.7	2.0	2.3	2.6
Subtotal, national security	43.3	38.3	38.0	40.9	41.9	43.8
Foreign aid:						
Military assistance	3.6	2.3	2.6	2.4	2.2	2.2
Economic and other aid	1.5	2.0	1.6	1.7	1.9	1.9
Subtotal, foreign aid	5.1	4.3	4.2	4.0	4.1	4.1
International affairs	0.2	0.2	0.2	0.3	0.3	0.3
Total, other than domestic-civilian	48.6	42.8	42.5	45.2	46.3	48.3
Domestic-civilian:						
Veterans services and benefits	4.3	4.5	4.8	4.8	5.0	5.2
Labor and welfare	2.5	2.6	2.8	3.0	3.4	4.3
Agriculture and agricultural resources	2.6	4.4	4.9	4.6	4.5	6.4
Natural resources	1.3	1.2	1.1	1.3	1.5	1.7
Commerce and housing*	0.8	1.4	2.1	3.4	3.8	6.4
General government	1.2	1.2	1.6	1.8	1.4	1.7
Interest	6.5	6.4	6.8	7.3	7.7	7.6
Allowance for contingencies	—	—	—	—	—	0.2
Total, domestic-civilian*	19.1	21.7	24.2	26.1	27.3	33.4
Grand Total*	67.8	64.5	66.7	71.4	73.6	81.7

NOTE: Figures are rounded and may not add to totals. *For comparison, includes trust fund expenditures of Federal National Mortgage Association beginning fiscal year 1955, and highways beginning fiscal year 1957.

Criticizes Urban Renewal Program

I suggest the new proposal to expand the urban renewal program as an example of domestic-civilian programs which are bottomless pits for Federal expenditures.

In the first place, I think people should keep up their own property. I know of no reason why the Federal Government should absorb two-thirds of the loss entailed in cleaning up huge city subdivisions to be used for private profit.

Federal funds already available for this program total $1 billion for loans and $1.2 billion for cash grants. These tremendous sums will not be a drop in the bucket if we are to undertake these projects in cities and towns from one end of this country to the other.

Federal subsidies generally constitute a vast field of domestic-civilian expenditures. The Joint Committee on Reduction of Nonessential Federal Expenditures is contemplating a study of the subject.

Extent of Federal Aid

At the outset we are confronted with two questions: What is a subsidy? Who is subsidized?

Nearly 40 million people will receive direct payments from the Federal Treasury this year. This includes nearly 200,000 Federal employees working overseas. Generally speaking, these 40 million people with their families could reach a number equivalent to half of the population of the United States.

Nearly $80 billion is outstanding at this moment under so-called Federal credit programs for housing, veterans, agriculture, commerce, defense production, small business, etc. This has increased $12 billion in the last three years.

Grants to state and local governments now total $4.9 billion. There are now 62 programs for state and local subsidy.

When I came to the Senate 25 years ago, there was only one state aid program of any consequence. That was the highway program which was costing $250 million.

I mention these categories of Federal expenditures simply to illustrate the areas where there may be subsidies which do not meet the eye. There are others. For instance, who is subsidized by the postal deficit?

It may be contended that the foreign agricultural trade development programs are another subsidy to American agriculture.

Are the beneficiaries of government contracts with industry and institutions subsidized to the degree that they think they have a vested interest in the *level* of Federal expenditures? Reaction to justifiable reductions a year ago would indicate an affirmative answer.

A great fallacy has been built up around Federal payments, whether you call them subsidies or choose to avoid the ugly word. People have gotten the idea that they are getting something for nothing.

There is no greater mistake. American taxpayers sooner or later pay every dime of the expenditures through these programs, and more.

When we are on a sound basis we pay these costs directly from taxes. If we are on a deficit basis we charge them into the debt, pay interest on the loan until we pay off the obligation, and stimulate inflated prices in the process.

In either event, about 15% goes into overhead for Federal administration. Since I have been in the Senate, interest on the Federal debt has cost the taxpayers of this country more than $100 billion.

Until we get Federal expenditures down, balance the budget, and stop inflation, there is no hope for sound tax reduction. To reduce taxes when we are on a deficit basis simply charges the tax cut into the Federal debt. This aggravates the whole deficit-debt-inflation cycle.

Suggests Fiscal & Labor Reform

Others may have their own programs for the coming new Congress. Mine would have two objectives. The first would be to balance the Federal budget. The second would be legislation to correct abuses practiced by unscrupulous labor leaders primarily against labor itself, but also against management and the public.

Practices revealed by the McClellan Labor Rackets Committee are a national disgrace. I voted for legislation in the past session of Congress to correct these abuses. I shall vote for it again this year. It should have the support of the rank and file of labor, management and the general public.

I am frequently accused of being against labor. This is because I support the best interests of the laboring man; not the powerful labor czar.

I favor the right to work. But statements by certain labor leaders make it definite that when the new Congress convenes, great efforts will be made to enact legislation to make states' right-to-work laws invalid.

This would be another usurpation of state authority and still further concentration of power at Washington. Such an effort should be resisted to the utmost.

It is certain, too, that these same labor leaders will attempt to federalize unemployment insurance now administered by the states.

A strong effort to this end was made last year. As Chairman of the Senate Finance Committee, I fought the proposal and it was defeated.

The purpose of the move to federalize unemployment insurance is not only to standardize the law for all states, but also the payments for all business and industry.

To federalize unemployment insurance would mean that the powerful Labor Lobby would be constantly applying pressure on Congress for increased benefits and extension of the payment period.

Early introduction of both these proposals is certain, and the need to resist them is obvious. In our present condition, I think the Government of the United States is dangerously vulnerable to the influence of ruthless labor dictators.

I am fully aware that the achievement of both of my objectives—correcting abuses by labor leaders and balancing the Federal budget—will be extremely difficult. I am the only man remaining in the Senate who voted against the Wagner Act. And for 25 years I have analyzed the budgets submitted by three Presidents.

Year after year, I have gone over every expenditure and appropriation item—and these number some 1,100.

I know the problems involved in our outmoded appropriation procedures. I know the devices which have been developed to bypass appropriation control, such as authority to spend directly from the public debt.

I know how difficult it is to reduce expenditures when unexpended balances in prior appropriations approach or exceed the new requests to which annual Congressional action ordinarily is limited.

In the current year approximately $147 billion will be available to Federal spending agencies — $75 billion or more in new spending authorizations enacted this year, and approximately $72 billion in unexpended balances carried over from prior years.

The President has a dual responsibility, first to originate the budget with requests for the new year, and second to administer the expenditures from both old and new money. I hope he will take the lead not only in balancing the Federal expenditure budget for the coming year, but in the full recovery of our fiscal stability.

On my own experience I submit that expenditure reductions of the necessary magnitude, if applied with care and wisdom, would strengthen our economy, strengthen our government, strengthen our national defense and strengthen our international position.

I am certain that such reductions can be made in all of the Federal spending categories—military, foreign aid, and domestic-civilian.

Would Revamp Military Spending

With respect to defense expenditures, we should rechart the whole military program and reevaluate the objectives of our spending in view of changing methods of warfare.

I yield to no one in advocacy of national defense but, as the President has said, there is waste and duplication in the military departments.

We unified the armed services. We adopted the Eberstadt amendments for businesslike operations in the military establishment. We passed the Military Procurement Act. We revised military pay scales and increased survivors benefits to allow the armed forces to compete for capable personnel. In the past session of Congress we enacted the Military Reorganization Bill.

It is time these actions paid off in economy and efficiency for more defense at less money.

The waste in foreign aid, especially economic aid, has been obvious from its inception. We enacted the Marshall Plan in 1948 for four years. Postwar foreign aid expenditures have now run more than a decade. To date our gross authorizations for foreign aid expenditures have totaled more than $80 billion.

Expenditures for economic aid should be sharply curtailed. Our best interests and those of our allies, would be better served by preserving the integrity of the American dollar to stimulate international trade.

I know basic legislation will be required for substantial reduction in domestic-civilian expenditures. This will require the exercise of statesmanlike leadership by the President and the unwavering support of Congress and the public.

Calls for Presidential Action

But I urge the President in his January Budget Message to submit a blueprint for substantial expenditure reductions in all categories and to follow through with specific legislative recommendations where they are necessary. I pledge him my support and I hope this objective will have yours.

I am aware of the cynical contention that what this country wants is continuing inflation and a "fast buck" economy, with no regard for the certain consequences and the next generation.

But I feel certain that the great majority of the people of this nation want the integrity of our money protected, want their form of government preserved, and want their free enterprise system to survive, in order that we may pursue this nation's great mission in the world.

If this is what we want, we must have a national crusade from the grass roots to save our representative democracy which is founded upon the free enterprise system.

Job is Up to Us All

Such a crusade must be inspired and led by the President. It must be supported by the Congress—House and Senate. Most important of all, it must be fired by the people themselves.

From long experience in the Senate of the United States I can say the voice of the people in this country, if it is loud enough, will overcome selfish and highly organized minorities and will prevail—that is the great virtue of our constitutional democracy as contrasted with dictatorship.

So the job is up to you and every other citizen.

Our people must remember that the very foundation of our democracy rests upon the fact that people must support the government. It is not the purpose of government to support the people.

The national interest must come ahead of private gain.

So, to achieve our objectives, there must be sacrifice all down the line.

Chicago Exch. Firms Elect Officers

CHICAGO, Ill. — Gordon Bent, partner of Bacon, Whipple & Co., has been elected Chairman of the Chicago Association of Stock Exchange Firms, succeeding Guenther M. Philipp of Paine, Webber, Jackson & Curtis.

Gordon Bent

Mr. Bent has been Vice-Chairman of the Association during the past year, is a former member of the Executive Committee of the Central States Group of the IBA and is presently a member of the Public Relations Committee of the Midwest Stock Exchange.

Francis C. Farwell of Farwell, Chapman & Co. was elected Vice-Chairman and William M. Witter of Dean Witter & Co., Treasurer.

New members elected to the Board were Arthur S. Grossman of Straus, Blosser & McDowell; Matthew J. Hickey, III of Hickey & Co., Inc., and George R. Torrey of McCormick & Co.

Burnham & Co. to Admit Two Partners

Burnham and Company, 15 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Mark Sandler and John E. Meyer to partnership.

Farwell Chapman Co. To Admit to Firm

CHICAGO, Ill.—Andrew J. Gardner on Jan. 1 will be admitted to partnership in Farwell, Chapman & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—H. Daniel Wells has been associated with Shearson, Hammill & Co. 520 South Grand Avenue. He was formerly with Francis I. duPont & Co. and prior thereto was an officer of Professional Service Plan.

Factors Brightening the Automobile Outlook

By HARRY A. WILLIAMS*
Managing Director, Automobile Manufacturers Association
New York City

Automobile spokesman foresees a production of 5.5 million vehicles next year, which may be subject to upward revision soon. Mr. Williams indicates the present figure would rank below the fifth best year in auto production and, if confirmed, would constitute a healthy market for manufacturers and dealers. States the industry has good reason for believing this is the beginning of an upswing trend leading into 1960's.

A decided upturn in automobile production and sales, but not a record year is expected in 1959. It is the consensus of economists both in and out of the industry, that sales of new passenger cars by U. S. producers during the calendar year should reach approximately 5.5 million units—25% above the 4.3 million estimated for 1958. Forecasts of 1959 truck sales average about 900,000, or about the same as this year.

Harry A. Williams

While there has been marked unanimity among the forecasters, some have indicated that upward revision of these estimates may be in order once the market has been adequately tested.

It is, however, still too early for such a reappraisal. Because of strikes throughout the industry, and in supplier plants, production of the 1959 models was slow in starting. As a result, dealers are not yet adequately stocked for full sales effectiveness.

Thus, while early signs are encouraging, a reliable test of the passenger car market cannot be made until stocks of new cars in dealers' hands and in transit rise to about 500,000 nationally, which is considered a normal working inventory. This level may not be reached until late January or early February.

Below Fifth Best Year

If the present forecasts hold, 1959 would not be the best or even the fifth best sales year in the industry's record book. But it would represent a healthy market in which manufacturers and dealers could operate comfortably and profitably. It would compare with such years as 1951, 1954 and 1956. But, unlike them, it would be on a rising rather than declining trend, relative to the preceding year.

The industry's four biggest years, in order of rank, were: 1955, with 7,920,186 cars and 1,249,090 trucks and buses; 1950, with 6,665,863 cars and 1,337,193 trucks and buses; 1953, with 6,116,948 cars and 1,206,266 trucks and buses; 1957, with 6,113,344 cars and 1,107,176 trucks and buses.

Compared with these totals, the expectations for 1959 are modest. But the industry has good reason for believing the predicted upswing will be only the beginning of a trend leading on into the 1960's.

Five Upward Factors

In estimating the 1959 increase, specifically, industry economists cite the following as major points in their reasoning:

(1) The general business upturn occurring in the past few months is expected to continue through 1959, materially affecting the automotive market. Several of the well-known factors behind this upturn are: increases in consumer spending, the halting of inventory liquidation, the leveling off of plant and equipment spending following a rather severe decline, increased residential construction, increased government spending, and a more confident attitude toward the future by consumers generally.

(2) The general business recovery should result in a relatively greater upswing in the automotive industry, since the auto sales curve generally fluctuates more widely than the curve for all business.

(3) Another often-cited factor is the automotive credit situation. Since the end of 1957 and throughout the 1958 recession, auto credit outstanding has steadily declined. During this period, loan repayments have exceeded credit extensions, building a backlog of potential new credit buying. In the past, when this situation developed, an expansion of demand for credit goods has followed.

(4) Used car inventories are relatively low and prices are up. This gives the new car buyer a relative advantage on the trade-in.

(5) Finally, the fact that total 1958 car sales in the domestic market will only slightly exceed the estimated total number of automobiles scrapped during the year, definitely indicates that a backlog of demand exists. The entire history of the U. S. automotive industry has been one of continued growth and expansion. A glance at annual motor vehicle sales figures through the years shows this clearly, as the totals grow from a few thousand at the turn of the century to from five to nine millions in the 1950's. Normal expansion of the market apparently did not take place in 1958. Little more than replacement demand was fulfilled. A backlog of demand resulting from the long-range expansion factors in the economy — i.e. population growth, increasing family income, etc.—was built up in 1958 and saved for better times.

Labor Peace Contract

Thus, the automotive industry is looking forward to a future rich in market potentialities. Furthermore, with three-year union contracts negotiated and signed, it can plan on relative labor peace and stability ahead.

But, aside from all the economic factors brightening the automotive outlook, is the impressive line-up of new car and truck models for 1959. Highly favorable dealer and customer reactions to these new products have given manufacturers their most substantial reasons of all to be optimistic.

*An address by Mr. Williams before the Business Outlook Conference for the Press, sponsored by the Chamber of Commerce of the United States, Washington, D. C., Dec. 9, 1958.

Two With Fairman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph E. Ehring and Edwin D. Wainwright have joined the staff of Fairman & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. Both were formerly with Bennett-Manning Company.

Continued from first page

As We See It

well as our duty to give prominence in our issue of Dec. 18 to what he had to say. We urge our readers to give it prayerful attention—before the time comes when we shall all have good cause to regret not insisting that time serving politicians and monetary cranks leave our monetary and credit system in a sound condition.

We call particular attention to such plain commonsense as this from the lips of Mr. Martin:

"The major problem . . . is how to get people to work and give them jobs that will be permanent and profitable. How easy this would be if we could only achieve it by just spending more money. Unfortunately experience has demonstrated you can not spend yourself rich. Lasting prosperity only comes from hard work, producing goods and services which people need and want at prices they are willing and able to pay. At the moment we have unused capacities in industry and larger levels of unemployment than we would like to have. Why has this come about? Because of tight money? Not a bit. It has come about because inflation got ahead of us. The seeds of inflation were sprouting into the temporary overcapacity which we now have and a decline was inevitable."

There are many explanations for each recession, and there is rarely anything in the nature of complete agreement about them. There are those who doubtless would have a somewhat different account of the 1957 downturn, but we may rest assured that no one whose views are worthy of confidence would hold for a minute that tight money was the real culprit. Restrictive credit policies could, of course, bring an unhealthy and unwholesome boom to an earlier end than otherwise would be the case or limit its magnitude. That would be a perfectly normal course of events and one which we may all be grateful for. Applied in time it might even prevent the development of such an unfortunate situation. That, too, would be all to the good. But to point to any policy or program of the Federal Reserve in recent years as the real cause of any recession in healthy, legitimate business would be simply not in accord with the facts. All that the Board did was to decline to go further in replacing savings with arbitrarily created funds—the modern equivalent of printing greenbacks. A case could be made for the contention that the severity of any halt caused by this policy was in reality to be charged against lateness in inaugurating it.

Further Words of Wisdom

The Chairman has some further words of wisdom which all would do well to heed at this time—and to impress upon the minds of legislators and adminstrative officials alike. Take this pungent passage:

"Let us not succumb to the belief that these unemployed people will be assisted by flooding our economy with a stream of easy money. The better way to get these people back to work is to concentrate on fundamentals that permit the forces of the market to operate. Rising interest rates, when they reflect response to improving business conditions, have never been a sign of weakness. When artificial forces prevent their rise it may well lead to knots which would complicate rather than assist our progress. If business conditions continue to improve, it is normal to expect interest rate to rise; if business stays where it is, interest rates will probably stay about where they are, and if business begins to decline, interest rates will decline. But let us not be carried away into thinking that interest rates are such a dominant force in the economy that they possess some magic so that they alone can determine the level of employment, unemployment, and the use of capacity—at high or low levels."

Of course, the Federal Reserve authorities know well enough that they are not the only factor in this business of preventing or controlling inflation. They would not be worthy of their high office or fitted for their great responsibilities if they did not fully realize that a balanced budget—yes and a budget that permitted net debt retirement—is as essential as wise Federal Reserve policy. Of course, budgetary matters are affected with politics, and a more timorous man than Mr. Martin might well decline to have anything of consequence to say on the subject, especially in the political situation that now exists in this country. But again our hat is off to the Chairman when he tells the country in straight flung words and few that we —rich as we are—cannot afford the luxury of huge deficits as a regular way of life.

These words of his should be dinned into the ears of the rank and file over and over again until their vital meaning no longer escapes even the thoughtless:

"There can be no question that when business is improving and moving actively toward higher levels, a budget deficit becomes fuel on the fire of inflation. In effect, it pumps air into the business structure as if it were a balloon and eventually leads to more serious recession when the balloon pops than would have occurred if it had not been indulged in. Again let me say, this is not pleasant, but with due respect to these people who talk about modern times and outmoded classical theories what I am saying is based on time-honored and time-tested principles that are as valid and inescapable today as they have been down through the ages."

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not led the 1959 capital spending plans of business in the October survey to be raised above the levels of 1958. But an upward adjustment in investment plans is to be expected. The recovery seems to be well grounded, and even without an expansion in business investment the gross national product in 1959 will be well above 1958. If there is a modest increase in business investment in 1959, the gross national product in terms of present prices will be about \$468 billion. The economy that will develop with recovery will be one in which consumption expenditures will be considerably more important and investment expenditures considerably less important than in the boom economy of 1956.

The substantial economic progress of Russia and the drop in the rate of increase in production in the American economy in the last five years indicate the need for careful stocktaking to ascertain how the rate of increase in the American economy might be raised.

II

Production and Employment

The outlook is for a good rise in production in the fourth quarter in spite of the fact that output was greatly hampered in durable goods manufacturing in October by strikes. Industry, after living off of inventories steadily for over a year, is at last producing at about the same rate that it is selling. In dollar terms gross national output in the fourth quarter will undoubtedly exceed the previous all-time high in the third quarter of 1957, but in real terms output will fall short of the peak in the third quarter of 1957.

Industrial production in November rose, after seasonal adjustment, from 138 (1947-49 = 100) to 141, due largely to the big jump in the output of durable goods manufactures made possible by the settlement of many strikes in the automobile industry. The increase in the index of nondurable manufactures was only from 134 to 135. The index as a whole is still well below the peak of 147 reached in December, 1956. Durable goods manufactures at 152 is well below the peak of 167 reached in December, 1956.

Steel production has scarcely changed since the week beginning October 13, when it reached 2,003,000 tons. In the week beginning Dec. 8, steel output of 2,015,000 tons was expected. No gain in steel output is expected until after the first of the year.

Automobile passenger car production in November was approximately 513,000 cars, the largest since December, 1957, though 11% below November, 1957. A combination of change-over and strikes reduced automobile production drastically in the three months of August, September, and October. The total output was 573,961 passenger cars, or slightly less than half the output of 1,170,137 cars in the corresponding period of 1957. A high rate of automobile output is to be expected until at least the end of the year and probably longer.

Housing starts in November were at the annual rate of 1,330,000, the highest since August, 1955. Not much further rise in the rate of housing starts is in prospect.

Construction, which set an all-time high in October, set another all-time high in November. It was 6% above November, 1957. More than three-fourths of the gain was attributable to the rise in new residential construction, which increased 15%. There was a large drop of 38% in the last year in industrial construction, and a small drop of 2% in commercial construction.

Employment, as is usual in periods of recovery, is responding only slowly to the rise of production. There was a drop in employment between October and November, but the decrease was moderately less than seasonal. The number of wage and salary workers on the payrolls of non-agricultural establishments, which was reduced by strikes in October, recovered to almost the September level. Factory employment, adjusted for seasonal, reached the highest level since February, and the seasonally adjusted unemployment rate of 5.9% is the lowest since January.

Part of the explanation of the slow response of employment to the recovery is a much-needed gain in efficiency. Although the index of factory output in November, 1958, was 1.4% above November, 1957, the hours worked in manufacturing were 3.9% less than in November, 1957, indicating roughly a rise of more than 5% in output per manhour. Of course, part of this change may reflect a change in the product mix.

The need of the American economy for professional workers and skilled workers is steadily growing. It is encouraging to note that the number of professional and technical workers employed increased right through the recession from 6,625,000 in October, 1957, to 7,230,000 in October, 1958, and that the number of managers, officials, and non-farm proprietors increased in the same period from 6,505,000 to 6,911,000. Unfortunately, there was a small drop in the number of craftsmen, foremen and kindred workers from 8,745,000 in October, 1957, to 8,539,000 in October, 1958. Many kinds of craftsmen are still in short supply.

III

Personal Income

Personal income in November made an all-time high, recovering from the small dip in October caused by change-overs in the automobile industry and strikes in that and other industries.

Wage and salary disbursements in November were 1.5% above November, 1957, in spite of the fact that wage and salary employment was about one hundred thousand less than in November, 1957.

IV

Retail Sales and Consumer Credit

Retail sales in November increased, after adjustment for seasonal factors, by 1.4% to \$17.2 billion, the highest figure on record—\$48 million above the previous all-time high of July, 1957. The sales of durable goods, however, which were responsible for most of the increase between October and November, were still 0.5% below November, 1957. Sales of non-durables were 5.9% above November, 1957. Sales of durables are still low relative to personal incomes.

Consumer credit outstanding in October increased by \$20 million —the second smallest increase in October in the last 10 years. The total volume of consumer credit now outstanding is only \$2 million more than it was a year ago. There has been a noteworthy drop in outstanding automobile loans which are now about \$1.3 billion less than a year ago. In April outstanding automobile loans were about the same as a year ago.

V

New Orders, Contract Awards, and Inventories

Construction contract awards in October were 26.6% above October, 1957. The year-to-year gain was particularly large in the case of public works, where awards were up 62.7%, and in residential building, where awards were up 36.9%. In the four months ending with October, construction contract awards have averaged about 12.5% above the preceding four months, indicating a rise in the near-term outlook for construction.

Heavy construction contract awards, which ran well above last year in every month from May to September inclusive, were 17.7% below last year in October; but in the six weeks ending Dec. 8 they were 18.3% above the corresponding period of last year.

New orders of manufacturers in October, after correction for seasonal influences, reached \$27.8 billion, or about 3% above September, the highest figure since May, 1957.

In spite of the large increase in new orders, unfilled orders of manufacturers, which are not corrected for seasonal influences, dropped slightly. At the end of October they were \$45.9 billion in comparison with \$53.2 billion a year ago.

Manufacturers did not reduce or increase inventories in October,

TABLE I

	Dec. 1956	Aug. 1957	Oct. 1957	Mar. 1958	Sept. 1958	Oct. 1958
All manufacturing and trade	1.56	1.60	1.64	1.72	1.55	1.52
All manufacturing	1.82	1.90	1.93	2.09	1.84	1.81
Durable goods	2.12	2.22	2.29	2.56	2.20	2.15
Nondurable goods	1.51	1.57	1.58	1.66	1.50	1.49
All wholesale trade	1.10	1.12	1.16	1.20	1.06	1.05
Durable goods	1.50	1.60	1.72	1.78	1.51	1.51
Nondurable goods	0.86	0.85	0.87	0.88	0.81	0.80
All retail trade	1.47	1.43	1.45	1.50	1.43	1.38
Durable goods	1.84	1.93	1.95	2.20	2.06	1.91
Nondurable goods	1.25	1.17	1.20	1.18	1.15	1.14

TABLE II

	Dec. 1956	Aug. 1957	Oct. 1957	Feb. 1958	Mar. 1958	Sept. 1958	Oct. 1958
All manufacturing	1.80	1.99	2.06	2.18	2.10	1.83	1.77
Durable goods	2.12	2.40	2.61	2.86	2.60	2.19	2.07
Nondurable goods	1.49	1.49	1.58	1.66	1.66	1.49	1.49

1958—the first month since September, 1957, in which there was no drop in the book value of manufacturing inventories. Retail inventories, however, continued to drop, with the result that the book value of total manufacturing and trade inventories, after adjustment for seasonal influences, dropped $200 million in the month of October. The National Association of Purchasing Agents reports in November a drop in the firms decreasing inventories and a large rise in the firms increasing inventories—though the former slightly outnumber the latter.

The ratio of inventories to monthly deliveries continued to decline and in October was lower than in any month of 1957. (Table I).

The continued rise in manufacturing sales has reduced the ratio of manufacturing inventories to monthly new orders to an exceedingly low level, as Table II indicates. From this low level some attempt to build up inventories is likely.

The book value of manufacturers' inventories in October was 8.9% below October, 1957.

VI

Planned Capital Expenditures

The McGraw-Hill survey of the investment plans of business, one of the most useful indicators of economic trends, shows that at the time of the survey (October, 1958) business concerns were planning to spend about the same amount on plant and equipment in 1959 as they spent in 1958. At this time manufacturing enterprises expected sales in 1959 to be 9% greater than in 1958. Business already has plans for capital spending in 1960 of about the same scale as in 1959. As recovery from the recession proceeds, business is likely to raise its capital spending plans for 1959. The reasons for this conclusion are given in Section X.

The results of the McGraw-Hill survey are confirmed by the fall survey of the Securities and Exchange Commission and the Department of Commerce which show that spending on plant and equipment is expected to increase by the first quarter of 1959 by about 3% above the low point in the third quarter of 1958. The expected rate in the first quarter of 1959 would be equal to the average rate in 1958.

VII

Prices

The index of sensitive prices has changed little during the last month. It was 87.0 (1947-49=100) on November, 87.0 on Dec. 4, and 86.2 on Dec. 11.

The index of wholesale prices continues virtually unchanged, with the fairly rapid drop in the prices of farm products offsetting the slow rise in the prices of commodities other than farm products. (Table III)

For the second straight month the consumer price index in October showed no change. A drop in the food components offset rises in other components. The consumer price index has now shown little net movement for a number of months. For example, the index in October was no higher than in June. All components of the index except food and reading and recreation were higher in October than in June, but the drop in these two components (especially in food prices) was sufficient to offset the rise in the other categories. The consumer price index as a whole in October was 2.1% higher than in October, 1957.

TABLE III

	Week Ending			Month of			
	Dec. 9 1958	Dec. 2 1958	Nov. 11 1958	Nov. 1958	Oct. 1958	Mar. 1958	Oct. 1957
All commodities	119.0	119.0	119.2	119.2	119.0	119.7	117.8
Farm products	90.2	91.1	92.2	92.1	92.3	100.5	91.5
Processed foods	108.8	108.5	109.7	109.5	110.0	110.7	105.5
Commodities other than farm products & foods	127.0	127.0	126.8	126.8	126.4	125.7	125.8

There is good prospect that the general behavior of the price level in the next year or so will correspond closely with the behavior of prices in the recovery from the recession of 1954. At that time, a pronounced drop in the prices of farm products offset a small rise in the prices of non-farm products, with the result that the index of all wholesale prices remained virtually unchanged throughout all of 1954 and the first half of 1955. The present outlook is for a fairly sizable drop in prices of most farm products during the next 12 months. Prices of farm products, continuing to reflect supply conditions of last winter and the drought of the year before, are still somewhat higher than they were last year. But the crops of 1958, which will mainly be marketed in 1959, are 10% larger than last year's crops (though acreage planted was the smallest in 40 years) and there is in prospect a 14% increase in hog marketings. The continued building of cattle herds will prevent an immediate increase in the supply of beef, but poultry raising and egg production are expanding. Barring unfavorable weather, prices of most farm products in 1959 will be less than they were in 1958. The drop may not be as large as the 15% decline that occurred between April, 1954, and December, 1955, but it will be sufficient to offset a fairly large rise in non-farm prices.

The last few weeks have seen a curious eruption of fears abroad concerning the stability of the dollar. These fears have been stimulated by the prospect of a large budget deficit in the United States during the current year. The fears exaggerate the inflationary influences in the United States and they fail to take account of the strong competitive position of the United States in world trade. Undoubtedly, the long-run trend of prices in the United States will be slowly upward, but there is no reason to expect prices in the United States to rise more rapidly than prices in other countries. In fact, during the last 10 years the rise of prices in the United States has been substantially less than in any country of Western Europe except Belgium, West Germany, and Switzerland. The United States continues to have a persistent excess of exports over imports. Indeed, the United States needs to increase its imports of goods relative to its exports.

VIII

Wages, Union Reform, and Inflation

Unions are beginning to drive tough bargains, and as a result there has been a large eruption of strikes, most of which the unions have won. The machinists on several of the air lines have won increases of about 44 cents an hour, or about 16%, spread over three years from Oct. 1, 1957; the employees of Deere and Company have won an increase in the annual improvement factor from 2.5% to 3.0%; and the bituminous coal miners have just negotiated an increase of $2 a day in the $22.25 basic daily wage for miners, $1.20 payable on Jan. 1, and 80 cents on April 1. This is the first increase that the miners have received since October, 1956. Coal production is running about 20% below last year and coal is meeting increasing competition from oil and gas; but coal operators will find themselves compelled to pass on at least part of the increase in costs.

From now on unions will drive increasingly hard bargains. The widespread criticism of unions for not faithfully serving the members is causing many officers to take extra care to get settlements that the members find satisfactory. Leaders are influenced by the fact that in many unions there is increasing competition for office, especially at the local level. The industrial relations director of a large chain store, who has negotiated 21 contracts in 1958, said that negotiations this year have been the most difficult that he has had in over 15 years. The McClellan Committee has been of immense use in arousing a demand that there be reforms in the trade union movement, but by putting the leaders of unions on the defensive before their members, the Committee has made unions a stronger inflationary threat.

Wage increases early in revival are likely to stimulate business by raising the total volume of spending since at this stage of the business cycle wage increases do not induce much postponement of commitments. Quite different is likely to be the effect of wage increases late in the business cycle when many people are beginning to wonder how long the expansion will continue. Under those conditions, wage increases may discourage business by inducing postponements of investment plans.

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The economic consequences of wage increases early in revival are likely to be quite different from the consequences of wage increases late in a boom. Early in revival wage increases are likely to stimulate business by raising the total volume of spending since at this state of the business cycle wage increases do not induce much postponement of commitments. Late in a business cycle, however, when many persons are beginning to wonder how long the expansion will continue, wage increases may discourage business by inducing postponements of investment plans.

IX

The Capital Markets

The last six months have been a period when the demands of the government on the capital market have been unusually heavy, and the demands of residential building have been large. But the demands of business have been rather limited. Business has been seeking in the main to fund short-term obligations rather than to finance the purchase of plant and equipment. The principal exception to this statement is the electric light and power industry. The government has managed to finance the period of its large deficit with only temporary resort to commercial banks. The large sale of government securities to non-bank investors has prevented the deficit from producing much of an increase in the money supply.

The season is now approaching when the Federal budget will be running a surplus for a few months and the demand of the government on the capital market will be much diminished. At the same time there will be no immediate jump in the demand of business in the capital markets. But the respite for the capital market will be temporary. After the middle of the year the Federal Government will again be a substantial borrower and by that time the needs of business will have risen also. Furthermore, it is quite possible that by the third quarter of 1959 the introduction of improved durable consumer goods will have diminished the rate of personal saving.

One may question whether the yield of Aaa bonds, which is now about 4.1%, adequately discounts the possibility of long-run depreciation in the purchasing power of the dollar. With long-term interest rates failing to reflect economic realities, the bond market (except for tax exempts) is pretty much confined to investors, such as pension funds and insurance companies, who buy against fixed dollar liabilities. At prevailing interest rates, it is not surprising that the Treasury has trouble in selling long-term issues—though private corporations continue to borrow at long-term.

Unfortunately, the American capital market is so much a creature of habit and tradition that it is not good at responding to changes in public demand for securities. The recent rise in the demand for equities has not been met by a shift from the offerings of bonds to the offerings of equities. Public issues in the American capital market have always run strongly to bonds rather than stocks—this was true even before the tax laws created a strong incentive for corporations to issue bonds rather than stocks, and it has not been altered by the coming of creeping inflation. Figures collected by the Bank for International Settlements show bond issues were a larger proportion of all capital issues in 1957 in the United States than in any of the leading markets except in Netherlands.

Portion of capital issues in the form of shares and bonds in leading countries 1957:

Country	Bonds	Shares
United States	77.1%	22.9%
France	19.6	80.4
Germany	35.0	65.0
Italy	12.6	87.4
Netherlands	86.5	13.5
Sweden	33.4	66.6
United Kingdom	53.8	46.2
Canada	65.8	34.2

X

How Much Output in 1959?

The Gross National Product in 1958 will be approximately $435.8 billion subdivided as follows:

	Billion
Government purchases of goods and services	$92.1
Gross private investment in housing, plant and equipment	58.6
Change in inventories	—5.6
Net foreign investment	0.5
Personal consumption expenditures	290.2

Personal income in 1958 will be approximately $353.5 billion.

Government purchases of goods and services are slowly increasing, and in 1959 will be about $97.0 billion. If business spending on plant and equipment shows virtually no change (as the McGraw-Hill survey suggests) and if expenditures on housing are at the same rate as in the closing months of 1958 (but no higher), gross private investment in housing, plant, and equipment, will be about $60.0 billion. There will probably be some accumulation of inventories in 1959, but let us assume for the time being that there is no change in inventories. No significant change in the small figure on net foreign investment is likely.

On these assumptions the sum of government purchases of goods and services, gross private investment, and net foreign investment in 1959 will be about $11.9 billion greater than in 1958. Some of this additional output will fail to generate more personal income because it will be produced without a rise in employment, but judging by the 1954-55 experience, an increase in production of about $11.9 billion will generate about $8 billion of personal income. In addition, increases in hourly earnings may be expected to raise the wage and salary component of personal income by about 3%, or roughly $7.5 billion. Hence, even if there is no rise of gross private fixed investment in plant and equipment over 1958, and even if there is no increase in housing over the closing months of 1958, personal income by 1959 should be about $369 billion; personal consumption expenditures should be about $66 billion less ($46 billion personal tax liability and $20 billion personal saving), or about $303 billion. On these assumptions, the Gross National Product for the year 1959 in terms of present prices will be about $460 billion.

The crucial question is "What will the prospect of an output of $460 billion do to the investment plans of business? Or will business reduce or raise these plans?" When the investment plans reported in the McGraw-Hill survey were being made, the economy was producing at the rate of about $440 billion a year or moderately more, and manufacturing enterprises were expecting their sales in 1959 to be about 9% greater than in 1958.

Most managements were probably still much under the influence of the recession when they made their preliminary investment decisions for 1959. Hence, as sales expand, investment plans will probably be revised upward. This happened after the recession of 1954. Thus, in February-March, 1955 the joint survey of the Securities and Exchange Commission and the Department of Commerce showed that non-agricultural business concerns were planning to spend $27.1 billion on plant and equipment in 1955—a small rise from the $26.8 billion spent in 1954. By July-August, 1955, enterprises had raised their planned investment expenditures to $28.0 billion. Their actual investment outlays turned out to be even larger—$28.7 billion.

An upward adjustment of investment spending plans of around $2 billion above 1958 is reasonable — in spite of the fact that investment spending will probably meet unsympathetic monetary policies. After all, the announced investment plans were made while business was still very much under the spell of the recession. Some modest accumulation of inventories, probably about $3 billion, is likely. The upward revision of investment plans and the accumulation of inventories will generate more personal income and raise personal consumption expenditures by $3 billion or more a year. Thus, a conservative estimate is that the Gross National Product for the year at present prices should be about $468 billion, or slightly more than $32 billion above 1958.

By the end of 1959, the annual rate of output will be around $480 billion and, as the year closes, the seasonally adjusted unemployment rate will be brought down to about 4%.

XI

The Changing Structure of Production

The economy that will develop with the recovery will possess a very different structure of production from the boom economy of 1956. The total level of gross private investment will be slightly less than it was in 1956, but total consumption expenditures will be more than $30 billion a year larger and government purchases of goods and services will be about $15 billion larger. The structure of production in the boom economy of 1956 and the expected structure in the recovery economy of 1959 are as follows:

	1956 (billions)	1959 (billions)
Gross national product	$419.2	$468.5
Government purchases of goods and services	80.3	97.0
Gross private investment and net foreign investment	69.6	65.5
Personal consumption expenditures	269.4	306.0

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XII

How Sound Is the Recovery?

The very slow rise in industrial production in September and October, the drop in personal income in October, the failure of business to plan an increase in capital expenditures in 1959 over 1958, the uncertainties of monetary policy, and doubts about automobile sales in 1959 have caused many people to ask whether the recovery is sound and can be expected to continue without interruption.

The achievement of the best possible recovery requires well designed and administered economic policies. The recovery will be mildly impeded by the fact that the Administration attaches too much importance to the stability of prices and too little to the encouragement of production. Nevertheless, the forces of expansion are so powerful that the recovery will proceed in the face of obstacles.

Little additional stimulus can be expected from housing construction, which has already reached an extraordinarily high rate. There is, however, no reason to be disturbed by the drop in the rate of increase in industrial production in September and October or the small drop in personal income in October. All of these results were mainly the consequences of strikes in the automobile, automotive parts, agricultural implement, and air line industries, and a few others. Strikes have only temporary economic effects. Some of these strikes tend to stimulate recovery by producing inflationary wage increases. The slowness of business in raising its investment plans in response to increases in new orders is not abnormal—there was a similar slowness of response in 1954.

Of the several reasons for expecting an uninterrupted continuation of recovery, five are particularly important:

(1) The economy at the end of November was barely producing as much as it was consuming and inventories were low relative to new orders.

(2) The purchase of goods by local, state, and national governments is steadily increasing.

(3) Personal incomes, and hence personal consumption expenditures, are being raised by the steady stream of wage increases which will grow as the recovery develops.

(4) The government is compelled by law to buy increasing quantities of farm products, thereby increasing the budget deficit. In the long-run, the agricultural price support program is wasteful, but in 1958 the program was helping to stimulate the economy by increasing the size of the budget deficit.

(5) The outlook is for a good automobile year—not as good as 1960 will be, but definitely better than 1958. Sales in 1958 were held down by a combination of circumstances: (1) the recession; (2) the fact that the taste of consumers is shifting toward smaller, more economical, and more comfortable cars; and (3) the fact that most of the industry was out of touch with the market and unable to give consumers what they wanted. In 1959 the industry as a whole will still not be able to meet the changing taste of consumers until late in the year, but even in the early months of 1959 the output of small cars will be substantially greater than it was in 1958.

XIII

Can the United States Meet the Russian Challenge in Production?

Russia has announced plans to raise real wages about 40% in the next seven years, to increase the output of electric power, crude oil and cement by more than 100%, to double the output of meat, milk, and dairy foods, and to increase the output of steel by 60%.

One may doubt the ability of the Russians to carry out this ambitious plan. The indicated gains in production are far greater than countries with larger resources have been able to achieve. Nevertheless, the United States would be unwise to view the Russian plans with complacency. Russia is obviously stepping up her economic efforts, and the resources that she has available to increase her productive capacity are greater than ever. Furthermore, her political capacity to divert resources into capital formation far exceed the capacity of democratic countries. No capitalist country has ever exploited its people on the scale that the Russians are doing.

Even if the Russians fall far short of achieving their goals, they may do better than the United States has been doing in recent years. For example, in the seven years 1950 to 1957, average hourly compensation in non-agricultural industry in the United States in real terms increased by 22.8%. The Russians might fall far short of their fantastic goal of raising real per capita income by 40% in seven years and still do better than the United States did between 1950 and 1957. Furthermore, on many items the increase in Russian production between 1950 and 1957 compares favorably with the record of the United States, as the following comparison of increases shows:

	U.S.S.R.	U.S.
Coal— Millions of metric tons	278	—40
Crude Oil— Millions of metric tons	60	87
Electric Power— Billions of kilowatt hours	119	327
Steel— Millions of metric tons	24	14
Cement— Millions of metric tons	19	14
Woven Cotton Fabrics— Millions of meters	1,741	—432
Woven Woolen Fabrics— Millions of meters	*113	—*84
Shoes— Thousands of pairs	*88,000	*65,847
Butter— Thousands of metric tons	*219	*10
Margarine— Thousands of metric tons	*244	*196

*1950 as compared to 1956.

Of considerable importance is the fact that the rate of increase in production and productivity in the United States in the last few years has been slowing up—in spite of the fact that the long-run trend has been for production to rise. In the five years 1947 to 1952, the total real product of the economy increased 25.2%; in the five years, 1952-1957, it increased 15.1%. In the first period real product per manhour in industry outside of agriculture increased 17.5%; in the second period, 1952 to 1957, it increased only 9.4%.

Clearly the United States needs to take stock of what is holding back the increase in productivity in the economy and to take steps to accelerate the rise in productivity. In the American economy, where 90% of the output is privately produced, the rate of increase in production depends (1) upon the extent to which productive capacity is utilized, and (2) the efficiency of private industry.

During most of 1957 private capacity was fairly well utilized, though greater pressure from demand would have undoubtedly resulted in more output — as well as a slightly faster rise in prices. But the main problem in the American economy is to increase the efficiency of private industry. Increasing the efficiency of private industry in an economy with millions of independent decision centers, such as the economy of the United States, is a matter of influence and education. Hence, for a limited time at least, only modest results can be expected. But imitation of the most progressive firms and the pressure of competition from the most progressive firms is constantly spreading the best practices. The three most promising ways of stepping up the rate of increase in productivity are:

(1) *The further development of technological research.* Specialized technological research has been booming, especially in the last 15 years. But even today, it is largely concentrated in a limited number of industries. In view of the strong demand for consumer goods, the American economy is particularly in need of inventions that raise output per manhour while increasing by only a small extent the capital needs of the economy.

(2) *Improvements in the art of management.* The quality of management is important because it affects the quality of decisions and the efficiency of all of the factors of production. Important advances in the art of management have been made in the last 50 years, but there is reason to believe that much further advance is possible. Managements are not as exposed to stocktaking and criticism as would be desirable. Too many boards of directors are merely yes men rather than independent advisers of management.

(3) *Increasing the efficiency of labor.* This is not a matter of greater muscular exertion, but of (a) the reduction of feather bedding, and (b) the development of broader participation of workers in determining technological processes. Experience shows that when workers have a strong incentive to contribute to better technology, their contributions are important, but only a small fraction of managements have made real effort to enlist the wholehearted participation of employees.

In order to focus attention on how the rise in productivity in the American economy might be accelerated, a thorough, non-political survey is needed of conditions affecting the productivity in American industry. The most appropriate body to undertake this important task is the well known Committee for Economic Development.

Joins Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Kenneth B. C. McCubbins has joined the staff of Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard.

Joins Samuel B. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Bernard J. Funk is now with Samuel B. Franklin & Company, 215 West Seventh Street. He was formerly with Atlas Securities, Inc.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Frank W. Biggs is now with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

With Jay C. Roberts

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Peter A. Christie has been added to the staff of Jay C. Roberts & Co., Third National Bank Building.

Securities Salesman's Corner

By JOHN DUTTON

January Investment Demand Coming Up

January traditionally is a good time for the investment business. People have been taking stock of their investment progress or lack of it. Year-end inventories have been made, tax sales and purchases effected, and it is the start of a New Year. Also, as in the past many investors have accumulated interest in their savings accounts which they have been reluctant to disturb because of the loss of income such withdrawals may have entailed. These factors, plus the psychological effect of a New Year and a new start, is the reason why so many individuals are more receptive to investment suggestions and planning. Hence, a sensible approach by investment salesmen meets with more favor.

Plan Your Advertising

The reason why so many smaller investment firms (and some of the larger ones) do not achieve the successful results from their newspaper, radio and direct mail, is not only the ineffectiveness of their copy and their appeals, but also because there is a complete lack of planning and coordination between their advertising, their buying departments, and their sales organization. Only too often someone dreams up an idea at the last moment and, two days before an ad is to be run, copy is hurriedly put togther, circulars have not been prepared, and the sales force has not been alerted. The result is more wasted time, effort and expense.

In smaller firms someone should be delegated to prepare advertising copy. The sales organization should be encouraged to suggest ideas for promotional material and advertising. They should be alerted as to the plan of campaign so they can feel a part of it. If the advertising produces requests for analyses or reports, they should be prepared in advance ready to go. Prospect cards should be all set for distribution to salesmen and, if necessary, a form letter for follow-up should be supplied to them.

Throughout the year advertising should be planned at least three weeks ahead, thus giving time for preparation of goods ads, reading proof, and getting set to follow leads by mail, telephone and personal interview. The same procedure should be followed in the use of direct mail.

It is certainly better to run a signature ad that keeps your firm name in front of your public than it is not to advertise. But this type of advertising is at best only a negative approach to business. The field of service is so broad, there are so many individual investors that want and need good investment counsel today that it is almost a criminal waste of money to advertise only your name and that you sell stocks and bonds. You really sell everything else besides stocks and bonds—you sell—Income; protection of capital against inflationary depreciation of the purchasing power of the dollar; tax help (but not counsel); peace of mind and valuable information; tax free income; capital appreciation; guidance for those who would be caught unawares in hazardous speculations and many more such beneficial activities. There is so much you can advertise that will bring people to your door today besides your name and that you handle securities.

Go for "Growth" and "Tax Free" Income in 1959

The situation is made to order for an aggressive sales campaign this coming year. Whether your firm is large or small, whether or not you are a salesman, customer's representative, or a partner in a firm with large and important clients, there is one thing that is in your favor now. People are willing and able to buy securities. Interest rates on savings accounts are almost not worth the bother to any investor with a gross taxable income of $10,000 and upwards. Tax exempt bonds paying 3½% leave a full 3½% in the hands of the investor and the tax collector gets none of it. People are beginning to find this out. The sales of tax exempts to individual investors is growing rapidly. More and more people will come to you if you tell them this story.

The other side of the sales story is *Growth*. The capital gains tax (another political monstrosity) is freezing the supply of many stocks and the demand is increasing. It is not a healthy situation but next year should bring more and more new issues of common stocks that may tend to ease this tight supply-demand situation in common stocks. Meanwhile, the public reads every day of the dangers of inflation, and more people are learning that a shrinking dollar is no longer a academic subject. It is stark reality and they want to at least protect themselves if they can. They will talk to you about good growth stocks and they will buy. 1959 should be one of the best years we have seen yet in the retail securities business. Plan your selling and your advertising around these two ideas, plus the willingness to give personal service to your clients no matter how small or how large and I don't think you will regret it.

Bache Appoints in Phila.

PHILADELPHIA, Pa.—The appointment of Steven C. Kraus as Manager of the Philadelphia branch office of Bache & Co., members of the New York Stock Exchange is announced by John E. Fricke, Resident Partner.

Other appointments made at this time are: Clayton Stout, who will be Assistant to the Resident Partner; John Groves, Back Office Manager and William Brown, Cashier.

Bache & Co.'s Philadelphia office is located at 1510 Chestnut Street. Associate Manager is Harry Gerken and Assistant Manager, Joseph Fassler. The main office of the firm is at 36 Wall Street, New York.

L. J. Goldwater to Admit

On Dec. 31 Lee F. Goldwater will become a limited partner in L. J. Goldwater & Co., 25 Broad Street, New York City, members of the New York Stock Exchange. On the same date Alexander L. Berliner will retire from partnership in the firm.

Two With Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Barbara J. Benesch and Richard E. Hefner have become affiliated with Hill Richards & Co., 621 South Spring Street, members of the Pacific Coast Stock Exchange. Miss Benesch was previously with Paine, Webber, Jackson & Curtis.

Wanted: Good Business Men!

"While some people have been bemused by Russia's apparent change of heart, the Russians have been beating this country in what I call the ruble war.

"The Russians have been going into underdeveloped countries and have been buying their way into them.

* * *

Henry Ford, II

"The countries we're talking about do not need autos. A chemical company, for example, might be tried as a pilot project (under American auspices—business as well as government). We have got to learn to work around the world so we will be accepted. I think we are making great progress."—Henry Ford II.

Mr. Ford has a businessman's practical ideas, and is convinced that many of these "undeveloped" countries need good businessmen as much as (often much more than) capital. He is right.

Bankers' Group Warns on Deficit Financing

The Economic Policy Commission of ABA demands prompt, realistic action—via spending reduction or increased taxes—to balance our budget during good level of economic activity.

A balanced federal budget in fiscal 1960, preferably through reduced expenditures but if necessary through increased taxes, is essential to strengthen confidence at home and abroad in the future value of the dollar, Economic Policy Commission of the American Bankers Association believes.

Jesse W. Tapp

Citing the "ominous possibility" that the government may continue to operate in the red during fiscal 1960 even if production and employment reach high levels, the commission declared in a statement, "Unless sensible decisions are arrived at soon, the bubget threatens to get out of control."

Assuming a good level of economic activity during that period, there wold be no excuse for planning to continue deficit spending, the commission said.

"At such a time, indeed, sound fiscal policy would call for achieving a substantial budgetary surplus and reduction of the public debt," it said. "The least we should do is to attain a balanced budget. Failure to do so would be a sign of fiscal irresponsibility.

Not a Fetish

"This is not just another budgetary crisis, nor is it a matter of making a fetish of a balanced budget. Our fiscal situation has now become a serious inflationary threat to our economy. Prompt action is needed to strengthen confidence both here and abroad in the future value of the dollar.

"Moreover, continued deficit spending by the United States would set a poor example indeed for other nations whose economic stability is of important concern to us. It would militate against our afforts to promote the economic strength of the Free World.

"For these reasons, we cannot afford simply to drift along hoping that some day, perhaps in 1961 or 1962, federal revenues will catch up with expenditures. No one thing would do more toward preventing inflation, restoring confidence in the dollar, and setting a good example for other nations, than for the United States to demonstrate right now its firm determination to keep our national finances under control. The problem of the federal budget is therefore a matter of immediate and vital importance to all Americans.

"Unless prospective expenditures can be appreciably reduced, there is no assurance that budget receipts under current tax rates will produce a balanced budget in fiscal 1960.

"There is no easy solution to our budget problem. The tax burden is already heavy, and we know from past experience how hard it is to curb governmental expenditures.

"If, however, the Administration and the Congress are unable or unwilling to hold expenditures down to the level of realistically estimated revenues for fiscal 1960, then revenues should be increased to cover expenditures — in other words, taxes should be raised. This, of course, would be painful, but far less painful than the consequences of continued deficit spending.

"If higher taxes must be resorted to, it will not be an easy matter to decide where to go for additional revenues. With taxes at such high levels, increases in some areas would be relatively unproductive and might do more harm than good. In general, it seems plain that any tax increase today should be broadly based.

An Exacting Test

"The months ahead will reveal whether or not we as a nation are capable of performing the arduous task of putting our financial house in order. This will be an exacting test for American democracy."

Jesse W. Tapp, chairman of the board of the Bank of America N.T. & S.A., Los Angeles, is chairman of the Economic Policy Commission. Its other members are: John S. Alfriend, President, National Bank of Commerce, Norfolk, Virginia; Richard P. Chapman President, Merchants National Bank of Boston; Sidney B. Congdon, Chairman of board, National City Bank of Cleveland; William A. Lyon, President, Dry Dock Savings Bank, New York; Adrian M. Massie, Chairman of board, New York Trust Company; William A. McDonnell, Chairman, First National Bank in St. Louis; Frederic A. Potts, President, Philadelphia National Bank; Herbert V. Prochnow, Vice-President, First National Bank of Chicago; David Rockefeller, Vice - Chairman, The Chase Manhattan Bank, New York; John A. Sibley, Chairman of board, Trust Company, Atlanta; and Casimir A. Sienkiewicz, President, Central-Penn National Bank of Philadelphia; and E. Sherman Adams, American Bankers Association, New York, Deputy Manager in charge.

Los Angeles Bond Club Elects Officers

LOS ANGELES, Calif.—At the annual meeting and Christmas party of The Bond Club of Los Angeles, Mark Davids, of Lester, Ryons & Co., was elected President for the coming year. Leo Babich, of Hill Richards & Co., was elected a Director and Secretary; Franklin Stockbridge, of the Security-First National Bank, was elected Treasurer and Director; Richard W. Millar, of William R. Staats & Co., was elected a Director.

Mark Davids

Outgoing President, Warren H. Crowell, of Crowell, Weedon & Co., reviewed the past year's activities, after which President-elect Davids addressed the members and promised a continuation of the Bond Club's high level of activities with emphasis on obtaining outstanding speakers in 1959.

Form Prevision Inv.

GLEN ROCK, N. J.—Prevision Investment Co. has been formed with offices at 116 Rock Road to engage in a securities business. Marie N. DiGiacomo and James O. Vance are partners.

Strand Inv. Co. Formed

SALT LAKE CITY, Utah—Strand Investment Co. has been formed with offices at 16 Exchange Place to engage in a securities business. Officers are Elmer E. Strand, President; Max P. Erickson, Vice-President; and Kenneth A. Ohlson, Secretary and Treasurer.

VIM, Inc. Opens

WASHINGTON, D. C.—VIM, Incorporated has been formed with offices in the Perpetual Building to engage in a securities business. Officers are Leonard Vogel, President; Dr. F. M. Henry, Vice-President; and Edmund H. Feldman, Secretary-Treasurer.

Hirshon, Roth Admits

Hirshon, Roth and Co., 30 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Etta Roth to limited partnership. On the same date Eva B. Ungerleider and Selma Ungerleider, limited partners, will withdraw from the firm.

John Kaplan to Admit

On Jan. 1 Barry S. Cohen will become a limited partner in John H. Kaplan & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

C. H. Pforzheimer Partner

J. William Smallwood, Jr. on Jan. 1 will become a partner in Carl H. Pforzheimer & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

Two With Copley Co.

(Special to The Financial Chronicle)

COLORADO SPRINGS, Colo.—Louis A. Barella and Leslie A. Brand have joined the staff of Copley & Company, Independence Building.

Public Utility Securities

By OWEN ELY

Cleveland Electric Illuminating Company

Cleveland Electric Illuminating supplies electricity to a population of 1,878,000 in and near Cleveland; the service area covers four counties and 1,700 square miles in northeast Ohio, extending 100 miles along the south shore of Lake Erie. This section is highly industrialized, activities including iron and steel, trucks, automobile parts, machinery, chemicals, paints, petroleum refining and various other diversified establishments. The region is also a research center for the aircraft, chemical and petroleum industries and for illuminating engineers, with over 400 laboratories.

Ohio now ranks second in "value added by manufacturing," compared with fourth position 10 years ago, and the state uses more electric power than any other. There is no heavy concentration in any single industry—over 2,000 products of various kinds are manufactured. Chemicals are one of the area's fastest growing industries—a dozen major and many smaller plants representing a half-billion dollar investment, now stand where only two plants were in operation in 1945. Steel capacity has been increasing at a much faster pace than for the U. S., and the area is also becoming more prominent in the production of automotive parts and accessories.

Population growth in the area is also outstripping the U. S.—northeast Ohio is expected to gain 30% in the decade 1950-1960 vs. 18% for the country as a whole. Future opening of the St. Lawrence Seaway next year is another plus factor; this will give Cleveland access to iron ore in Labrador and overseas, and will cheapen exports due to lower transportation costs.

The company's revenues are about 97% electric and 3% steam; of the electric revenues 33% are residential, 45% are large commercial and industrial, 13% small commercial and industrial, and 9% miscellaneous. The outlook for continued development of residential business seems excellent. Despite competition from gas, the area ranked first recently in the sales of ranges and dryers (per 1,000 electric customers), third in food freezers and fourth in water heaters. Present saturation is 29% for ranges, 21% for dryers and 12% for heaters. Nearly three-quarters of the model homes in new developments feature electric kitchen and laundry appliances. Over 1,500 homes are now heated electrically, over twice as many as three years ago.

The company has a good record in developing operating efficiencies. It now serves 37% more customers than 10 years ago with 18% fewer employees. The continuing addition of new generating equipment has reduced the system heat rate to about 10,700 BTU, nearly 30% below the figure 10 years ago. Further economies are promised when the new 250,000 kw unit goes into service soon, and the "supercritical" unit of similar size at Avon scheduled for completion in 1959.

A decade ago some two-thirds of the coal for fuel came from West Virginia, but now over 80% is from Ohio mines, and increasing use of nearby coal will continue. This trend has helped offset higher rail freight costs and the company is now receiving about one-quarter of its coal by truck at substantial savings over current rail rates. Production cost per kwh is about 16% lower than a decade ago. Most rate schedules have fuel adjustment clauses.

The company expects to spend over $200 million on construction in the five years 1959-63, about 60% of which will be generated internally. Financing is likely to be only debt, in view of the high equity ratio.

Vice-President F. Warren Brooks in a recent address before the New York Society of Security Analysts pointed out that the company's conservative financial policies are reflected in a depreciation reserve of 27% of plant, compared with 19% for nearly all electric utilities; a debt ratio below 50%, and a dividend payout ratio of about 60%. The company is expected to continue its traditionally conservative dividend policy.

The company's record of share earnings showed some irregularity and not much net gain in the period 1946-52, but since the latter year earnings have increased from $1.73 to $2.64 in 1957. While the company lost some ground in the first three quarters of 1958, due to its large proportion of industrial business and the sharp production dip in the Cleveland area, nevertheless earnings for the calendar year are expected to be fairly close to last year's.

The outlook for next year is enhanced by the rate increase recently received which will provide some $2.5 million additional revenue next year (about 18 cents a share) and about $3 million more in 1960. The average rate of return in the past decade has been about 6½% and the new rate increases are expected to restore the return to this level. No further rate increases will be sought until 1961 or later (the new rate ordnance expires Sept. 21, 1960).

Cleveland Electric Illuminating sells on the New York Stock Exchange around 51 and pays $1.60.

Penn. Estate Planning

PHILADELPHIA, Pa. — Pennsylvania Estate Planning Corp. is engaging in a securities business from offices at 1528 Walnut Street. Officers are Aaron S. Frank, President; George H. Revness, Secretary - Treasurer; and David G. Sillia, Executive Vice-President.

Glore, Evans Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Harold T. Andersen has been added to the staff of Glore, Evans & Co., 1168 Santa Monica Boulevard. Mr. Andersen was previously with H. Carroll & Co. and Sterling Securities Co.

Gregory & Sons Will Admit Sheils to Firm

Gregory & Sons, 72 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit James C. Sheils to partnership.

Ira Haupt & Co. to Admit Fink as Partner

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Samuel Fink to partnership. Mr. Fink is Manager of the firm's statistical department.

Continued from page 4

The State of Trade and Industry

for the full year 1958 was only about $437,000,000,000, against $440,000,000,000 for 1957, because of the effect of the recession during the first half of 1958.

A 34-month production high for Studebaker-Packard Corp. in December and widespread return to work this Friday by General Motors and Ford following the Christmas holiday, with most plants also working Saturday, that is the auto industry's bright "wrap-up" of its 1958 operations, "Ward's Automotive Reports" stated on Friday last.

Marring the picture are strikes and labor problems which are affecting assembly of Chrysler Corp. and American Motors Corp. passenger cars plus Ford and International Harvester trucks, causing industry production to slip 5% the past week.

"Ward's" counted 152,649 car and truck completions for last week compared with 160,724 the week before. The same week in 1957, marked by complete labor peace, netted 163,071 vehicles.

Forced to virtual production standstill last week by labor problems were nationwide Chrysler Corp. car assembly, with American Motors Corp. seriously pinched by the Pittsburgh Plate Glass strike which started Oct. 6.

The statistical agency said Chrysler's labor unrest has held it to a mere 5% of industry car output in December thus far, running its Dec. 1 to 20 losses to 35,000 cars.

Elsewhere, "Ward's" added, "contract problems" idled International Harvester truck building for the fifth straight week, a loss of 10,000 production units, and Ford truck output early the past week began to show effects of the Gemmer steering gear strike with a 2,000-unit output decline.

The reporting service estimated entire December Studebaker-Packard Corp. output will soar to a 34-month high of nearly 14,000 cars.

Steel Output in Christmas Holiday Week Set at 68.2% of Ingot Capacity

Steel buyers can be reasonably sure of firm prices for the next six months, "Steel" magazine reported on Monday last.

It notes that steelmakers face critical labor negotiations in the spring and they are well aware that raising prices would undermine their efforts to reach a non-inflationary settlement.

Extras on some products may be revised before July, since they may be out of line, but sweeping adjustments of the kind made early in 1957 are not likely. Extras are charges made, in addition to base prices, for such things as qualities, sizes and quantities.

Mills, it continued, are not likely to raise extras because they are in reasonably good balance. Further, market conditions are not favorable and more business would be lost to foreign competitors. Costs are not rising as fast as they were and profits are improving. Finally, aluminum producers, strongly competitive with steel in some markets, have assured their customers of firm prices until July.

This "Steel" survey of basic steel producers allays fears of a boost in extras expressed last fall by structural fabricators and purchasing agents.

Steelmaking operations last week jumped another half point to 76% of capacity, the highest mark of the year. Production was about 2,057,000 net tons of steel. Chicago district mills operated their furnaces at 87% of capacity, the highest rate in 18 months. Other districts follow:

St. Louis at 94% of capacity, up 10.5 points; Detroit at 91.5, down 8 points; Wheeling at 84, up 0.5 point; Cincinnati at 84, up 4 points; Western district at 79, no change; Cleveland at 75, up 6 points; Pittsburgh at 72.5, up 0.5 point; Eastern district at 72, up 1 point; Birmingham at 67, up 2 points; Buffalo at 66, down 2.5 points and Youngstown at 62, up 2 points.

Steelmen are viewing 1959 output with greater optimism. Avery C. Adams, Chairman and President of Jones & Laughlin Steel Corp., Pittsburgh, sees industry operations in 1959 for the first quarter at 80% of capacity; the second, 91; third, 68 and fourth, 78%. Production will average 79% of capacity over the year and output will be 115,000,000 ingot tons, he believes.

Respondents of a "Steel" survey sent to 7,500 plant managers indicate that 46% of metalworking plants produce for export. Top export items include: industrial, electrical, construction and mining machinery; iron and steel products and autos.

Nonferrous metal sales which fizzled out in the early part of 1958 will close out the year with a bang. Reports indicate December shipments will approach the October and November levels, even allowing for the holiday slowdown.

"Steel's" price composite on the prime grade of steelmaking scrap held last week at $39.17 a gross ton and some observers are of the opinion that the slump has hit bottom.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *114.5% of steel capacity for the week beginning Dec. 22, 1958, equivalent to 1,840,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *125.2% of capacity, and 2,011,000 tons a week ago.

Output for the week beginning Dec. 22, 1958 is equal to about 68.2% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 74.5% the week before.

For the like week a month ago the rate was *123.8% and production 1,988,000 tons. A year ago the actual weekly production was placed at 1,366,000 tons or 85.0%.

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*Index of production is based on average weekly production for 1947-1949.

Electric Output Registered a New All-time High Record Last Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 20, 1958 was estimated at 13,534,000,000 kwh., according to the Edison Electric Institute. Output the past week recorded a new all-time high record. The previous all-time high was reported in the week ended Dec. 13, 1958 at 13,450,000,000 kwh.

For the week ended Dec. 20, 1958 output increased by 84,000,000 kwh. above that of the previous week by 1,122,000,000 kwh. above that of the comparable 1957 week and by 1,307,000,000 kwh. above that of the week ended Dec. 22, 1956.

Car Loadings Declined 0.9% Below Preceding Week

Loadings of revenue freight in the week ended Dec. 13, 1958 were 5,629 cars or 0.9% below the preceding week.

Loadings for the week ended Dec. 13, 1958 totaled 588,847 cars, a decrease of 14,293 cars, or 2.4% under the corresponding 1957 week, and a decrease of 127,805 cars, or 17.8% below the corresponding week in 1956.

Car and Truck Output Slipped 5% Last Week by Strikes At Several Plants

Passenger car production for the week ended Dec. 19, 1958, according to "Ward's Automotive Reports," was cut by strikes and production halts at Chrysler Corp. and American Motors Corp. plants, in addition to Ford and International Harvester trucks, resulting in a production slip of 5% the past week.

Last week's car output totaled 131,904 units and compared with 137,882 (revised) in the previous week. The past week's production total of cars and trucks amounted to 152,649 units, or a decrease of 8,075 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 5,978 units, while truck output declined by 2,097 vehicles during the week. In the corresponding week last year 140,447 cars and 22,624 trucks were assembled.

Last week the agency reported there were 20,745 trucks made in the United States. This compared with 22,842 in the previous week and 22,624 a year ago.

Lumber Shipments Fell 3.3% Below Output in the Week Ended Dec. 13, 1958

Lumber shipments of 466 reporting mills in the week ended Dec. 13, 1958 were 3.3% below production, according to the "National Lumber Trade Barometer." In the same period new orders were 13.8% above production. Unfilled orders amounted to 34% of stocks. Production was 4.4% above; shipments 0.7% below and new orders were 16.3% above the previous week and 26.0% above the like week in 1957.

Business Failures Recorded Moderate Declines in Latest Week

Commercial and industrial failures dipped to 251 in the week ended Dec. 18 from 267 in the prior week, Dun & Bradstreet, Inc. reports. The level was down moderately from the 276 of the comparable period a year ago, but a noticeable increase prevailed over the 214 of 1956. Casualties were fractionally higher than the 249 of prewar 1939.

Liabilities of $5,000 or more were involved in 231 of the week's casualties, compared with 229 in the preceding week and 242 in the similar 1957 period. Small failures, under $5,000, declined to 20 in the latest week from 38 a week earlier and were below the 34 of a year ago. Twenty-five of the failing concerns had liabilities in excess of $100,000 as against 23 in the prior week.

Retail failures dropped to 111 from 122 in the prior week, manufacturing to 47 from 54 and wholesaling to 30 from 32, while the toll in commercial service rose to 22 from 19 and in construction to 41 from 40. Only in wholesaling were there more failures than a year ago. The most noticeable decline from last year occurred among retailers and casualties among manufacturers were unchanged from a year ago.

Geographically, failure declines from the prior week occurred in six of the nine regions. Middle Atlantic casualties fell to 89 from 97, South Atlantic to 23 from 35, Pacific to 60 from 68, West North Central to 2 from 7, East South Central to 6 from 7, and Mountain States to 1 from 2. Increases prevailed in the other three regions, including the West South Central States where the total rose to 22 from 13. Trends from a year ago were mixed; casualties were heavier in four regions, while the other five reported declines. The most noticeable year-to-year decrease occurred in the Pacific States, while the West South Central States reported the sharpest rise from 1957.

Wholesale Food Price Index Edged Lower for Third Week In a Row

The wholesale food price index, compiled by Dun & Bradstreet, Inc. dipped last week, for the third consecutive week-to-week decline, but it fractionally exceeded the level of a year ago. The index decreased 0.3% on Dec. 16 to $6.36 from $6.38 a week earlier. It exceeded the $6.33 of the comparable date last year by 0.5%.

Commodities quoted higher in wholesale cost the past week were wheat, rye, barley, butter, eggs and hogs. Lower in price were flour, corn, oats, beef, hams, bellies, lard, cottonseed oil, cocoa and steers.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Touched New 1958 Low Mark Last Week

The general commodity price level fell for the fourth consecutive week in the latest period, hitting a new low for 1958. The Dun & Bradstreet daily wholesale commodity price index fell to 274.70 on Dec. 15 from 275.41 a week earlier, reflecting price decreases in grains, livestock, flour, lard, cotton and rubber. The index on the comparable date a year ago was 277.85. The previous 1958 low occurred on Oct. 28, when the index stood at 275.01.

There was a moderate dip in wheat prices during the week and both domestic and export buying lagged. Reflecting light marketings, corn prices remained close to the prior week, in moderate trading. Prices on rye and oats dipped somewhat as purchases slackened. Contrary to the trend on other grains, soybean prices moved up slightly, bolstered by further strength in the meal market.

An increase in flour supplies prompted a moderate decline in prices the past week and trading held close to that of the prior week. Cocoa buying slackened at the end of the period. Prices finished somewhat below the level of a week earlier. Although coffee transactions picked up at the end of the week, prices continued to decline and ended the week moderately lower.

The buying of sugar at wholesale markets expanded during the week and prices moved slightly higher. There was an appreciable slackening in rice turnover, but prices matched those of the prior week.

Cattle receipts at Chicago moved up noticeably from the prior week and fractionally exceeded those of a year ago. Trading in steers was steady, but prices declined a bit. Although hog receipts eased moderately, transactions lagged and prices were down somewhat. Purchases of lambs fell and prices dipped, despite a reduction in the salable supply. Following the trend in hog prices, prices of lard fell moderately during the week.

Lagging exports and the expectation of increased surplus supplies resulted in a moderate decline in cotton trading a week ago. Prices were down fractionally from a week earlier on the New York Cotton Exchange. Cotton ginned for the season through Nov. 30 amounted to 10,200,000 bales compared with 8,000,000 in the similar period a year ago and 12,400,000 two years ago. The supply of upland cotton to Nov. 30 this season totaled about 18,800,000 bales against 19,200,000 a year earlier.

Trade Volume Rose Slightly Above Like Period a Year Ago

Despite bad weather in many areas and the newspaper strike in New York City, total retail trade in the country as a whole moved up noticeably from the prior week and slightly exceeded that of a year ago. Best-sellers were traditional gifts, toys, hi-fi sets, some lines of women's apparel and holiday food specialties. Scattered reports indicate that sales of new passenger cars rose again during the week and matched those of the similar period a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was unchanged to 4% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc. show. Regional estimates varied from the comparable 1957 levels by the following percentages: Middle Atlantic and East South Central States +2 to +6%; Mountain +1 to +5; East North Central, West North Central and West South Central 0 to +4; South Atlantic and Pacific Coast —1 to +3; and New England States —4 to 0%.

Although apparel stores reported moderate year-to-year gains in sales of women's coats, suits and furs, volume in dresses and fashion accessories remained close to that of a year ago. Increased buying of men's furnishings and sweaters offset declines in topcoats and suits. Over-all purchases matched those of the similar 1957 period. There were appreciable gains over last year in the call for boys' slacks and sports jackets and girls' sweaters and skirts.

Shoppers noticeably stepped up their buying of glassware, china and traditional gifts last week. Considerable gains over last year occurred. While volume in hi-fi phonographs, television sets and lighting fixtures was up appreciably from a year ago, interest in most other major appliances declined somewhat. Total furniture sales were up slightly over the similar week a year ago, but were below the expectations of most retailers.

The usual seasonal rise in food buying occurred during the week and sales were slightly higher than a year ago. Best-sellers were canned goods, candy, nuts, frozen foods and some dairy products.

A last-minute rush in re-orders for women's handbags, gloves and jewelry occurred the past week as retailers sought to replenish depleted stocks. Bookings in women's Spring suits, coats and dresses were sustained at the levels of the prior week and volume matched that of a year ago. Further increases occurred in the buying of men's Spring suits and sportswear. Slight year-to-year gains were reported. Interest in children's merchandise at wholesale was unchanged from a week earlier.

The recent upsurge in retail sales resulted in a noticeable rise in orders for most housewares, gifts, and toys, and volume was up moderately from last year.

Despite some scattered orders for print cloths and sheetings, over-all trading in cotton gray goods slipped during the week, while volume in wide-industrial fabrics was steady and stocks were limited. Transactions in woolens and worsteds were down slightly, but sales of carpet wool were unchanged. Incoming orders at dyeing and finishing plants in New England matched those of the prior week.

A noticeable rise in the buying of frozen foods last week appreciably reduced wholesale stocks. The usual seasonal increases occurred in purchases of canned goods, fresh meat, poultry, dairy products and fresh produce. Volume in candy and other holiday food specialties moved up substantially.

The level of personal income in November rose to a record annual rate of $360,000,000,000, up $2,500,000,000 from October and $10,000,000,000 higher than that of November, 1957, according to the United States Department of Commerce. The level for 1958 as a whole is expected to be $353,000,000,000, a new high.

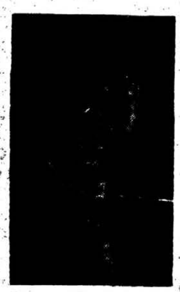
Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 13, 1958 advanced 3% above the like period last year. In the preceding week, Dec. 6, 1958 an increase of 6% (revised) was reported. For the four weeks ended Dec. 13, 1958 a gain of 3% was registered. For the period Jan. 1, 1958 to Dec. 13, 1958 no change was recorded from that of the 1957 period.

According to the Federal Reserve Board's index, department store sales in New York City for the week ended Dec. 13, 1958 showed an increase of 5% from that of the like period last year. In the preceding week, Dec. 6, 1958 an increase of 9% was reported. For the four weeks ended Dec. 13, 1958 an increase of 4% was noted. For the period Jan. 1, 1958 to Dec. 13, 1958 an increase of 2% was registered above that of the corresponding period in 1957.

The Case Against Federal Loans to Students

By ROGER W. BABSON

Criticizing banks, colleges, parents and the Federal Education Act for setting up loans to college students, Mr. Babson avers education should not be handed out on a silver platter to everybody and his brother. He deplores hanging easy credit millstones on financially inexperienced and unsuspecting young persons and advocates, instead, helping only the really financially needy possessing brains and ambition.



Roger W. Babson

I wonder how many readers realize we have with us a vast new group of intelligentsia—who are college students of today and will be the leaders of tomorrow. I refer to the ever-increasing number of young married college students. These young people are being encourage to believe that either dad, or society, or some college is obligated to educate them, and also, at the same time, to pay for the complete support of their wives and chilren. Yet, the lessons to be learned from struggle, self-help, and denial should be important features of a college education.

The prospect of educating a family of two or three children today has been likened to having one's uninsured house burn down. It can become a real financial catastrophe. Education in the average privately endowed college will cost dad about $2,000 per year per student, and in some colleges it will run as high as $2,600. $2,000 multiplied by four years is $8,000. $8,000 multiplied by three children is $24,000—and that is a lot of money. On top of this, father often has to foot the costs for a wedding, medical bills, his grandchildren, and housing and food for the additional family. Considering the nation's present prosperity, this seems all wrong to a country boy like me.

Parents Are Getting Too Soft

In some areas there are now state-sponsored college-loan programs for residents of the state. Just a few months ago the Federal Government passed the National Defense Education Act, setting up $47,500,000 for the year 1959; $75,000,000 for 1960; $82,500,000 for 1961; and $90,000,000 for 1962 and for each of the following three fiscal years. Under this new Education Act, a student may borrow up to $5,000 and have 11 years to repay the loan at 3% interest! What kind of a millstone is this for a young person to hang around his neck? What kind of financial burdens are we unwittingly loading onto our financial inexperienced youth? In New England the average college graduate, ten years out of school, is making about $7,500 per year. Take out of this the charges for all of life's necessities, for babies, cars, a new home, insurance, and the rest, add the repayment of a $5,000 loan for education, and what do you have left? Is this a good way for young married couples to start life?

I certainly favor helping the student who is really financially needy and who has some brains and ambition. But there are altogether too many young people who are being sucked into the economic booby traps of easy loans and easy marriages by easy parents all too soft-hearted to see the damage they are doing. Too many children are being spoiled by parents who make life too easy for them.

Should Girls Marry Students In College?

A typical young graduate recently applied for a job. He is 22 years old, had just completed his military service, and was looking for his first civilian job out of college. He had a wife and two children, and was deeply in debt. He seemed bright enough; but stated that he could not go to work for less than $6,500! He stated that living expenses for his family, plus payments on a car and repayment of a debt for his education, made $6,500 a bare minimum. I simply had to tell him that no prospective employer is responsible for his wife and children. Without experience, he just was not worth $6,500 to anyone.

I know cases, too, where young married couples with children are now living well on earnings of $4,000 a year—God bless them! They are the ones who really deserve help. Education is not something to be handed out on a silver platter to everybody and his brother. This cheapens the whole process, as well as hurts the man. Education, to be effective, is something to be worked for and earned. I am afraid our colleges, parents, and even the banks, which are now becoming involved in Federal loans to students, may be doing real harm. I am grald to say that some schools are trying to train young men and women for survival in tomorrow's struggle for a free and competitive economy.

Continued from page 2

The Security I Like Best

tion was from the following States: Texas, 268,729; Kentucky, 156,209; Arkansas, 70,110, Louisiana, 48,796; Illinois, 39,367; Wyoming, 20,735.

In Wyoming's Dead Horse Creek Field, Hiawatha holds a 20% interest in 16 producers, the first well of which was brought in by The California Company during September, 1957. Production amounts to 1,200 barrels a day and there is room for additional development.

In the President's letter, dated June 3, 1958, he stated "the Wyoming property still has a long, long way to go. Our acreage there is very large, and there is every indication that the surface has hardly been more than scratched. There are many wells yet to be drilled on acreage already proven and there remains many thousands of acres yet to be more fully explored."

The company got into the Rocky Mountain area in 1957 as Hiawatha, due to joint operations with other companies in which the Benedums are interested, is able to obtain acreage not ordinarily available to small companies.

In 1957 drilling was stepped up in Kentucky, 35 shallow wells being completed in Muhlenberg County.

For the first nine months of this year out of 42 wells drilled, 34 were producers and eight were dry holes. Kentucky accounting for 20 wells, Wyoming 11 wells and three were in other areas.

Texas, where they obtain the biggest production, due to shrinking allowables this year and last, was passed over in favor of Wyoming and Kentucky where there is no proration.

Today's market price, hovering between 5 to 6 for the 1,000,000 shares outstanding, indicates that this company is being overlooked by investors as in each of the last ten years the stock has sold above 8¾. As of Dec. 31, 1957, capitalization consisted of 1,000,000 shares common, 319,278 shares 5% convertible preferred and $520,338 of long-term debt.

The low market price can be accounted for by the following happening:

In 1947, Melben Oil Company, 25% owned by Hiawatha, acquired submerged land off the Texas coast in partnership with the major oil companies. As shown in Hiawatha's 1957 statement this caused write-off loss of $129,768 to Hiawatha on the Melben stock, but nevertheless, net income for 1957 was $819,708 against net of $491,088 for 1956. However, approximately $850,000 more remains to be written off covering loans Hiawatha made to Melben. Savings on income tax should cut this loss somewhat.

This reverse was mentioned in the 1957 annual statement, and it came about because various leases made by Melben in 1947 in the Gulf of Mexico off the coast of Texas had their primary terms expire in 1957. Three gas producers, now shut in, due to absence of marketing facilities, resulted from 1955 drilling on 4,320 acres off Galveston, Texas, and the lease is still good. However, money loaned to Melben to the tune of $850,000 still remains to be written off, probably this year. This is merely a bookkeeping item. It does not represent cash that has to be paid out. It is water under the bridge.

Hiawatha's management lost on their big play in the Gulf of Mexico but at the same time that this was taking place the company was completing a 500,000 acre land purchase in the Rocky Mountain area in 159 different areas in four States for drilling, farmouts or further geological investigation.

Income this year is running close to last year's results which is a recommendation considering poor current earnings of all oil companies.

As for reserves, informed sources place a value of $12 per share in oil reserves alone without taking into consideration their 100 billion or more cubic feet of gas.

In Hiawatha you are buying excellent management who use judicious exploration and development tactics, and you are getting oil and gas at a bargain, plus a tremendous land spread. At this low price there is little gamble attached in buying into this company, on the other hand, there is a possibility of rich rewards.

Sutro Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ronald A. Zane has been added to the staff of Sutro & Co., Van Nuys Building. He was formerly with J. B. Hanauer & Co.

Two With Bond & Share

(Special to THE FINANCIAL CHRONICLE)

ALTADENA, Calif.—Gordon S. Hanson and John H. Tristram are now with Bond & Share Co., 3479 Canon Boulevard. Mr. Hanson was formerly with J. Logan & Co.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ **A. C. I. Films, Inc.**
Dec. 18 (letter of notification) 1,000 shares of preferred stock (par $100). **Price**—At par. **Proceeds**—For production and sale of a science-fiction motion picture. **Office**—56 W. 45th St., New York 46, N. Y. **Underwriter**—None.

Advanced Research Associates, Inc.
Dec. 1 filed 400,000 shares of common stock (par five cents). **Price**—$6 per share. **Proceeds**—For research and development program; and for equipment and working capital. **Office** — 4130 Howard Ave., Kensington, Md. **Underwriters** — Wesley Zaugg & Co., Kensington, Md., and Williams, Widmayer Inc., Washington, D. C. **Offering**—Expected in January.

Allied Publishers, Inc., Portland, Ore.
Nov. 28 (letter of notification) 22,000 shares of common stock (par $1). **Price**—$8.50 per share. **Proceeds**—For general corporate purposes. **Office**—665 S. Ankeny St. Portland 14, Ore. **Underwriter**—First Pacific Investment Corp., Portland, Ore.

American Asiatic Oil Corp.
Nov. 24 filed 100,000,000 shares of capital stock. **Price**—Two cents per share. **Proceeds**—To selling stockholders. **Office**—Magsaysay Building, San Luis, Ermita, Manila, Republic of Philippines. **Underwriter** — Gaberman & Hagedorn, Inc., Manila, Republic of Philippines.

American Buyers Credit Co.
Nov. 13 filed 5,000,000 shares of common stock, of which 4,545,455 shares of this stock are to be offered for public sale at $1.75 per share. [Shares have been issued or are issuable under agreements with various policy holders in American Buyers Life Insurance Co. and American Life Assurance Co. (both of Phoenix) permitting them to purchase stock at $1.25 per share. Sales personnel have been given the right to purchase stock at $1.25 per share up to the amount of commission they receive on stock sales made by them.] **Proceeds**—For the operation of other branch offices, both in Arizona and in other states. **Office**—2001 East Roosevelt, Phoenix, Ariz. **Underwriter**—None.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Enterprise Fund, Inc., New York
Oct. 30 filed 487,897 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Distributor**—Edward A. Viner & Co., Inc., New York.

American Growth Fund, Inc., Denver, Colo.
Nov. 17 filed 1,000,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Office**—800 Security Building, Denver, Colo. **Underwriter**—American Growth Fund Sponsors, Inc., 800 Security Bldg., Denver 2, Colo.

American Mutual Investment Co., Inc.
Dec. 17, 1957, filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds** — For investment in first trust notes, second trust notes and construction loans. Company may develop shopping menters and build or purchase office buildings. **Office**—900 Woodward Bldg., Washington, D. C. **Underwriter**—None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

American Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah **Underwriter** Amos Treat & Co., Inc., of New York. **Change in Name**—Formerly United States Telemail Service, Inc.

● **Associated Bowling Centers, Inc.**
Nov. 24 filed 300,000 shares of 20-cent cumulative convertible preferred stock (par one cent) and 50,000 outstanding shares of common stock (par one cent). The preferred shares are to be offered for public sale for the account of the company and the common shares will be offered for the account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—To acquire new bowling centers and increase working capital (part to be used in defraying cost of acquisition of stock of owner of a Brooklyn (N.Y.) bowling center. **Office**—135 Front St., N. Y. **Underwriter** — To be named by amendment. **Offering**—Expected in a week or two.

★ **Astrodyne, Inc., McGregor, Texas**
Dec. 19 filed $1,800,000 of Participations in the Employee Savings Plan to be offered to eligible employees of Astrodyne, Inc., and its subsidiaries, together with 385,027 shares of Phillips Petroleum common stock which may be purchased pursuant to the plan.

★ **Auto Loan Co.**
Dec. 18 (letter of notification) $250,000 cumulative deferred debentures. **Price**—$100 per unit and multiples thereof. **Proceeds**—For redemption of outstanding preferred stock and working capital. **Office**—786 Broad St., Newark 2, N. J. **Underwriter**—None.

Autosurance Co. of America
Oct. 16 filed 250,000 shares of common stock (par $2.50). **Price**—$5 per share. **Proceeds**—To increase capital and surplus. **Office**—Atlanta, Ga. **Underwriter**—None. Statement effective Dec. 3.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None.

Bankers Management Corp.
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—1404 Main St., Houston, Texas. **Underwriter**—McDonald, Kaiser & Co., Inc. (formerly McDonald, Holman & Co., Inc.), New York.

Bankers Southern, Inc.
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

Bargain Centers, Inc.
Nov. 20 (letter of notification) $300,000 of 6% subordinated convertible debentures due Jan. 1, 1969 and 30,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$100 per unit. **Proceeds**—For equipping and decorating a new store and acquisition of real estate for a new warehouse and working capital. **Office**—c/o Edward H. Altschull, President, 1027 Jefferson Circle, Martinsville, W. Va. **Underwriter**—Securities Trading Corp., Jersey City, N. J.

Bellechasse Mining Corp. Ltd.
Oct. 29 filed 800,000 shares of common stock. **Price**—Related to the market price on the Canadian Stock Exchange, at the time the offering is made. **Proceeds**—To be applied over the balance of 1958 and the next three years as follows: for annual assessment work on the company's properties (other than mining claims in the Mt. Wright area in Quebec); for general prospecting costs; and for general administration expenses. **Office**—Montreal, Canada. **Underwriters**—Nicholas Modinos & Co. (Washington, D. C.) in the United States and by Forget & Forget in Canada.

Big Bromley, Inc., Manchester, Vt.
Dec. 9 filed 6,000 shares of common stock, $300,000 of 5% debentures due April 1, 1979, and $100,000 of 6% notes due April 1, 1980, the common stock and debentures to be offered in units of $250 of debentures and five common shares. **Price**—Of units, $500 each, and of notes, at par. **Proceeds**—For general corporate purposes. **Business**—A ski lift and school. **Underwriter**—None.

★ **Borman Food Stores, Inc., Detroit, Mich. (1/20)**
Dec. 24 filed 404,900 shares of common stock, of which 304,900 shares would be sold by stockholders of the company and 100,000 shares would be issued and sold for the account of the company. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Shields & Co., New York.

Boston Garden-Arena Corp.
Nov. 24 (letter of notification) 2,150 shares of common stock (par $1). **Price**—At-the-market (estimated at $23 per share). **Proceeds** — To go to selling stockholders. **Office**—North Station, Boston 14, Mass. **Underwriter**—Weston W. Adams & Co., Boston, Mass.

Bridgehampton Road Races Corp.
Oct. 23 (letter of notification) 15,000 shares of common stock (par $1) to be offered for subscription by stockholders of record Nov. 1, 1958 on the basis of one new share for each four shares held; unsubscribed shares will be offered to current creditors in payment of all or part of claims, at the rate of one share for each $4 of claims discharged; rights to expire about two weeks after mailing of offer. **Price**—$4 per share. **Proceeds**—To pay current creditors. **Address** — P. O. Box-506, Bridgehampton, L. I., N. Y. **Underwriter**—None.

★ **Brookridge Development Corp.**
Dec. 19 (letter of notification) $200,000 of 6% 15-year convertible debentures. **Price**—At par ($500 per unit). **Proceeds**—For expansion and working capital. **Office**—901 Seneca Ave., Brooklyn 27, N. Y. **Underwriter** — Sano & Co., 15 William St., New York, N. Y.

Brooks & Perkins, Inc., Detroit, Mich.
Nov. 26 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To complete the company's commitment to purchase at par 5,000 shares of the $100 par common stock of Alabama Metallurgical Corp.; and the balance for general corporate purposes. **Business**—Rolling and fabrication of magnesium and magnesium alloys, etc. **Underwriter**—Watling, Lerchen & Co., Detroit, Mich. **Offering**—Expected this week.

● **Cardinal Instrumentation Corp. (12/30)**
Nov. 4 letter of notification) 240,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For payment of notes, capital additions and inventory. **Office**—4201 Redwood Ave., Los Angeles 66, Calif. **Underwriter**—Myron A. Lomasney & Co., New York.

Carolina Telephone & Telegraph Co.
Nov. 17 filed 58,773 shares of common capital stock (par $100) being offered for subscription to stockholders of record Dec. 4, 1958, in the ratio of one new share for each five shares then held; rights to expire on Dec. 29. **Price**—$125 per share. **Proceeds**—To reduce short-term bank loans. **Underwriter**—None.

● **Carraco Oil Co., Ada, Okla. (1/15)**
Nov. 10 (letter of notification) 200,000 shares of common stock. **Price**—$1.50 per share. **Proceeds** — For general corporate purposes. **Underwriter** — Berry & Co., New York.

Cemex of Arizona, Inc.
Nov. 17 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Address**—P. O. Box 1849, 3720 E. 32nd Street, Yuma, Ariz. **Underwriter**—L. A. Huey Co., Denver, Colo.

★ **Champion Paper & Fibre Co. (1/15)**
Dec. 19 filed $20,036,400 of convertible subordinate debentures due Jan. 15, 1984, to be offered for subscription by common stockholders of record Jan. 14, 1959 at the rate of $100 of debentures for each 22 shares then held; rights to expire on or about Jan. 29, 1959. **Price**—To be supplied by amendment. **Proceeds**—To repay outstanding bank loans and for general corporate purposes, including additional working capital and future capital expenditures. **Underwriter**—Goldman, Sachs & Co., New York.

Chemical Fire & Casualty Insurance Co.
Nov. 24 filed 210,000 shares of class "A" voting common stock and 210,000 warrants to subscribe to a like number of shares of class "B" non-voting common stock. Purchasers of the class "A" shares will receive with each share purchased a warrant granting the right to purchase for $10 per share one shares of class "B" stock for a period of 18 months after the company receives permission to write insurance. **Price**—$10 per share. **Proceeds**—For working capital. **Office**—2807 Sterick Bldg., Memphis, Tenn. **Underwriter**—None.

★ **Chicago Pneumatic Tool Co.**
Dec. 18 (letter of notification) an undetermined number of shares of common stock (par $8) to be offered to certain employees through payroll deductions. **Price**—At the market on the New York Stock Exchange (not to exceed an aggregate of $300,000). **Proceeds**—To buy company's stock. **Office**—6 E. 44th St., New York 17, N. Y. **Underwriter**—None.

C. I. T. Financial Corp. (1/8)
Dec. 16 filed $75,000,000 of debentures due Jan. 1, 1979. **Price**—To be supplied by amendment. **Proceeds**—To provide additional working funds for the corporation and its subsidiaries, to be used in the ordinary course of business to reduce short-term borrowings incurred for the purpose of purchasing receivable and for other corporate purposes. **Underwriter**—Dillon, Read & Co. Inc., Kuhn, Loeb & Co. and Lehman Brothers, all of New York.

Clute Corp.
Aug. 21 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To pay additional costs of construction; and for retirement of obligations and working capital. **Office** — c/o John Harlan Lowell, 2200 Kenton, Aurora, Colo. **Underwriter**—Lowell, Murphy & Co., Inc., Denver, Colo.

● **Columbia Gas System, Inc.**
Nov. 21 filed 800,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriters** — Carl M. Loeb, Rhoades & Co., Merrill Lynch, Pierce, Fenner & Smith and seven other firms all of New York. **Offering**—Expected any day.

★ **Combustion Engineering, Inc.**
Dec. 19 filed 64,011 shares of capital stock to be offered in exchange for 81,002 shares of the outstanding common stock and for 2,131 shares of the outstanding $100 par preferred stock of General Nuclear Engineering Corp., at the rate of seven shares and 3.4302 shares of Combustion Engineering stock for each 10 shares of common stock and each share of preferred stock, respectively, of General Nuclear Engineering (of Dunedin, Fla.).

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Commercial Investors Corp.
Nov. 28 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For investment. **Office**—450 So. Main St., Salt Lake City, Utah. **Underwriter**—Earl J. Knudson & Co., Salt Lake City, Utah.

★ **Commonwealth Edison Co. (1/13)**
Dec. 18 filed $20,000,000 of sinking fund debentures, due Jan. 1, 2009. **Proceeds**—To be added to working capital for ultimate application toward the cost of property additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp. **Bids**—Expected to be received up to 10:30 a.m. (CST) on Jan. 13 at Room 1820, 72 West Adams St., Chicago 90, Ill.

★ **Consolidated Edison Co. of New York, Inc. (1/27)**
Dec. 23 filed a maximum of $59,778,600 of convertible debentures due Aug. 15, 1973, to be offered for subscription by common stockholders at the rate of $100 principal amount of debentures for each 25 shares of stock held of record on Jan. 26, 1959; rights to expire on Feb. 13. **Price**—100% (flat). **Proceeds**—To repay

short-term bank notes, and for additions to utility plant. **Underwriters**—Morgan Stanley & Co. and The First Boston Corp., both of New York.

Consumers Cooperative Association, Kansas City, Mo.
Oct. 29 filed $6,000,000 of 5½% 25-year subordinated certificates of indebtedness, and 60,000 shares of 5½% preferred stock (cumulative to extent earned before patronage refunds). **Price**—For certificates at $100 per unit; and the preferred stock at $25 per share. **Proceeds**—For retirement of maturing certificates of indebtedness, redemptions on request of certificates of indebtedness prior to maturity and of 5½% preferred stock; the possible improvement and expansion of present facilities; and the acquisition of manufacturing plants and crude oil properties if favorable opportunities therefore arise. **Underwriter**—None.

Consumers Power Co.
Aug. 29 filed 150,000 shares of preferred stock (no par) **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans and for expansion and improvement of service facilities. **Underwriter** — Morgan Stanley & Co., New York. **Offering**—Postponed indefinitely.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5 filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

Cryogenic Engineering Co.
Sept. 22 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds** — For repayment of loan; purchase of plant and office equipment; raw materials and supplies; and for working capital, etc. **Office**—U. W. National Bank Bldg., 1740 Broadway, Denver, Colo. **Underwriter**—L. A. Huey, Denver, Colo.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

★ **Drift Run Gas & Oil Syndicate**
Dec. 22 filed 128 co-ownership interests of the working interest of this Syndicate. **Price**—$645 per interest. **Proceeds**—For drilling of wells. **Office**—c/o Willard E. Ferrell, 1405 Locust St., Philadelphia, Pa. **Underwriter**—None.

Edgcomb Steel of New England, Inc.
Dec. 5 (letter of notification) 30,000 shares of class A common stock (par $5). **Price** —$10 per share. **Proceeds**—To pay off current notes payable to bank and to increase working capital. **Office** — 950 Bridgeport Ave., Milford, Conn. **Underwriter**—None.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

Federated Finance Co.
Nov. 17 (letter of notification) $300,000 of 10-year 6% senior subordinated debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For working capital, to make loans, etc. **Office**—2104 "O" St., Lincoln, Neb. **Underwriters** — J. Cliff Rahel & Co. and Eugene C. Dinsmore, Omaha, Neb.

★ **Finance For Industry, Inc.**
Dec. 16 filed 200,000 shares of class A common stock. **Price**—At par ($1.50 per share). **Proceeds**—For working capital. **Office**—508 Ainsley Bldg., Miami, Fla. **Underwriter** — R. F. Campeau Co., Penobscot Bldg., Detroit, Mich.

First Lumber Corp.
Dec. 3 (letter of notification) 50,000 shares of class A common stock (par $2). **Price**—$6 per share. **Proceeds**—To capitalize several wholly-owned subsidiaries and for general working capital. **Office**—1510 Jericho Turnpike, New Hyde Park, N. Y. **Underwriter**—Singer, Bean & Mackie, Inc., New York, N. Y. **Offering** — Not expected until after the first of January.

Florida Builders, Inc.
Dec. 1 filed $4,000,000 of 6% 15-year sinking fund subordinated debentures and 40,000 shares of common stock, to be offered in units of $100 principal amount of debentures and one share of common stock. **Price** — $110 per unit. **Proceeds**—For purchase and development of subdivision land, including shopping site; for new equipment and project site facilities; for financing expansion program; and for liquidation of bank loans and other corporate purposes. **Office**—700 43rd St., South, St. Petersburg, Fla. **Underwriter**—None.

Fluorspar Corp. of America
Oct. 14 (letter of notification) 133,333 shares of common stock (par 25 cents). **Price**—$2.25 per share. **Proceeds**—For mining expenses. **Office**—4334 S. E. 74th Ave., Portland 6, Ore. **Underwriter** — Ross Securities Inc., New York, N. Y.

Fort Pierce Port & Terminal Co.
Nov. 25 filed 2,138,500 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To pay short-term loans and for completing company's Port Development Plan and rest added to general funds. **Office** — Fort Pierce, Fla. **Underwriter**—Frank B. Bateman, Ltd., Palm Beach, Fla.

General Alloys Co.
Nov. 17 (letter of notification) 45,250 shares of common stock (par $1) of which 16,900 shares are to be offered to employees and the remainder to the public. **Price**—To employees, $1.1805 per share. **Proceeds**—To purchase and install machinery and equipment. **Office**—367-405 West First St., Boston, Mass. **Underwriter**—William S. Prescott & Co., Boston, Mass.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 **shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). Proceeds—To the Attorney General of the United States. Underwriter—To be determined by competitive bidding.** Probable bidders: Blyth & Co., Inc., and The **First Boston** Corp. (jointly); **Kuhn, Loeb & Co.; Lehman** Brothers, and **Glore, Forgan & Co. (jointly). Bids—Had** been scheduled to be received up to 3:45 p.m. **(EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25. D. C., but bidding has been postponed.**

• **General Telephone Co. of California (1/7)**
Dec. 16 filed 500,000 shares of 5% cumulative preferred stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To be used for property additions and improvements and to discharge in part short-term bank loans. **Underwriters**—Paine, Webber, Jackson & Curtis, of New York and Boston, Mass., and Mitchum, Jones & Templeton, Los Angeles, Calif. (not under a firm commitment basis).

★ **General Telephone Co. of Florida**
Dec. 23 filed 480,000 shares of $1.30 cumulative preferred stock, series B. **Price**—At par ($25 per share). **Proceeds**—To repay bank loans. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York and Boston; and Mitchum, Jones & Templeton, Los Angeles, Calif. There is no firm commitment by the underwriters to acquire the stock.

Government Employees Variable Annuity Life Insurance Co. (1/20)
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company on or about Jan. 20, 1959 **viz:** (1) to holders of common stock **(par $4)** of Government Employees Insurance Co., on the basis of one warrant **per** share of stock held on Jan. 6, 1959 **(1,334,570 shares are**

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NEW ISSUE CALENDAR

December 29 (Monday)
Networks Electronic Corp.________________Common
(Holton, Hull & Co. and Pacific Coast Securities Co.) $300,000

December 30 (Tuesday)
Cardinal Instrumentation Corp.____________Common
(Myron A. Lomasney & Co.) $240,000

December 31 (Wednesday)
Northern Insurance Co. of New York_____Common
(Offering to stockholders—underwritten by The First Boston Corp. and Wood, Struthers & Co.) 145,200 shares

January 5 (Monday)
Silicon Transistor Corp.____________________Common
(No underwriter) $600,000

United Asbestos Corp. Ltd.__________________Common
(Allen & Co.) 1,000,000 shares

January 6 (Tuesday)
Chicago & North Western Ry.__Equip. Trust Ctfs.
(Bids noon CST) $3,300,000

Nothwest Gas & Oil Exploration Co.__________Common
(Greenfield & Co., Inc.) $300,000

January 7 (Wednesday)
General Telephone Co. of California_____Preferred
(Paine, Webber, Jackson & Curtis and Mitchum, Jones & Templeton) $10,000,000

Household Finance Corp.________________Debentures
(Lee Higginson Corp.; White, Weld & Co.; and William Blair & Co.) $30,000,000

Kaman Aircraft Corp.__________________Debentures
(Paine, Webber, Jackson & Curtis) $1,250,000

Natural Gas Service Co._______Debentures & Com.
(Kidder, Peabody & Co., Inc.) $200,000 of debentures and 40,000 common shares

Pennsylvania Power & Light Co.____________Common
(Offering to stockholders—to be underwritten by The First Boston Corp. and Drexel & Co.) 295,841 shares

Sire Plan of Elmsford, Inc.__________Debens. & Pfd.
(Sire Plan Portfolios, Inc.) $500,000

Washington Water Power Co.___________________Bonds
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co. and Laurence M. Marks & Co.) $15,000,000

January 8 (Thursday)
C. I. T. Financial Corp.________________Debentures
(Dillon, Read & Co., Inc.; Kuhn, Loeb & Co. and Lehman Brothers) $75,000,000

San Diego Gas & Electric Co.____________Debentures
(Bids 8:30 a.m. PST) $15,000,000

Tractor Supply Co.________________________Common
(Dempsey-Tegeler & Co.) 480,000 shares

Woodward & Lothrop Inc.___________________Common
(Alex. Brown & Sons) 50,000 shares

January 9 (Friday)
Heliogen Products, Inc.____________________Common
(Albion Securities Co.) $144,000

January 12 (Monday)
Kaiser Industries Corp.____________________Common
(The First Boston Corp.; Dean Witter & Co.; and Carl M. Loeb, Rhoades & Co.) 500,000 shares

Mechmetal-Tronics Inc._____________________Common
(Charles Plohn & Co.) $247,500

Rochester Telephone Corp.__________________Common
(Offering to stockholders—underwritten by The First Boston Corp.) 195,312 shares

Spur Oil Co.______________________________Common
(Equitable Securities Corp.) 1,000,000 shares

January 13 (Tuesday)
Commonwealth Edison Co.________________Debentures
(Bids 10:30 a.m. CST) $20,000,000

First National Bank & Trust Co., Tulsa, Okla.______________________________Common
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Smith) $2,700,000

Gulf States Utilities Co.__________________Preferred
(Bids 11 a.m. EST) $10,000,000

Pacific National Bank of San Francisco___Common
(Offering to stockholders—underwritten by Blyth & Co., Inc and Elworthy & Co.) 74,511 shares

Smith-Corona Marchant, Inc.____________Debentures
(Offering to stockholders—underwritten by Lehman Brothers) $7,450,000

Southern California Water Co.__________Debentures
(Dean Witter & Co. and Smith Polian & Co.) $2,000,000

January 14 (Wednesday
Kansas Power & Light Co.___________________Common
(The First Boston Corp.) 275,000 shares

Ontario (Province of), Canada__________Debentures
(Harriman Ripley & Co., Inc. and Wood, Gundy & Co., Inc.) $75,000,000

January 15 (Thursday)
Carraco Oil Co.___________________________Common
(Berry & Co.) $300,000

Champion Paper & Fibre Co._____________Debentures
(Offering to stockholders—underwritten by Goldman, Sachs & Co.) $20,036,400

Surrey Oil & Gas Corp._____________________Common
(Peter Morgan & Co.) $900,000

January 19 (Monday)
Gulf States Utilities Co._______________________Bonds
(Bids noon EST) $10,000,000

Seiberling Rubber Co.______________________Common
(Offering to stockholders—to be underwritten by Eastman Dillon, Union Securities & Co.) 106,841 shares

Southern California Edison Co.______________Common
(The First Boston Corp. and Dean Witter & Co.) 500,000 shares

January 20 (Tuesday)
Borman Food Stores, Inc.___________________Common
(Shields & Co.) 404,900 shares

Government Employees Variable Annuity Life Insurance Co.__________________Common
(Offering to stockholders—underwritten by Johnston, Lemon & Co.; Eastman Dillon, Union Securities & Co. and Abacus Fund) $7,500,000

Rockland-Atlas National Bank of Boston__Common
(Offering to stockholders—underwritten by The First Boston Corp.) 40,000 shares

Southern Natural Gas Co.________________________Bonds
(Bids 11 a.m. EST) $35,000,000

January 22 (Thursday)
Mobile Gas Service Corp.___________________Common
(Offering to stockholders—underwriten by The First Boston Corp. and Robinson, Humphrey & Co.) 33,000 shares

January 23 (Friday)
National State Bank_________________________Common
(Offering to stockholders—underwritten by Clark, Dodge & Co.) $4,000,000

January 27 (Tuesday)
Consolidated Edison Co. of New York, Inc.____Debs.
(Offering to stockholders—to be underwritten by Morgan Stanley & Co. and The First Boston Corp.) $59,778,000

February 4 (Wednesday)
Southern Co.________________________________Common
(Bids 11 a.m. EST) between $40,000,000 and $45,000,000

February 17 (Tuesday)
Public Service Co. of Indiana, Inc.____________Bonds
(Bids to be invited) $25,000,000

April 2 (Thursday)
Gulf Power Co.______________________________Bonds
(Bids to be invited) $7,000,000

April 30 (Thursday)
Alabama Power Co.____________________________Bonds
(Bids to be invited) $20,000,000

May 28 (Thursday)
Southern Electric Generating Co._____________Bonds
(Bids to be invited) $25,000,000

June 25 (Thursday)
Mississippi Power Co._________________________Bonds
(Bids to be invited) $5,000,000

September 10 (Thursday)
Georgia Power Co.____________________________Bonds
(Bids to be invited) $18,000,000

Postponed Financing

Consumers Power Co.________________________Preferred
(Morgan Stanley & Co.) $15,000,000

Michigan Bell Telephone Co.__________Debentures
(Bids to be invited) $40,000,000

Montana Power Co._____________________________Bonds
(Bids to be invited) $20,000,000

Moore-McCormack Lines, Inc.________________Bonds
(Kuhn, Loeb & Co. and Lehman Brothers) $24,000,000

Pennsylvania Power Co.________________________Bonds
(Bids to be invited) $8,000,000

Southwestern Bell Telephone Co._______Debentures
(Bids to be invited) $110,000,000

Continued from page 31

now outstanding); (2) to holders of common stock (par $1.50) of Government Employees Life Insurance Co., on the basis of 1½ warrants per share of stock held on Jan. 6, 1959 (216,429 shares are now outstanding); and (3) to holders of common stock (par $5) of Government Employees Corp., on the basis of ½ warrant per share of stock held on Jan. 6, 1959 (as of Sept. 30, 1958 there were 143,127 shares of stock outstanding and $614,360 of 5% convertible capital debentures due 1967, convertible into shares of common at $28.0374 per share. If all these debentures were converted into common stock prior to the record date, a total of 164,724 common shares would be outstanding. Warrants will expire on Feb. 10, 1959. **Price**—$3 per share. **Proceeds**—For capital and surplus. **Office**—Government Employees Insurance Building, Washington, D. C. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.; Eastman Dillon, Union Securities & Co., New York; and Abacus Fund, Boston, Mass.

Grain Elevator Warehouse Co.
Nov. 3 filed 100,000 outstanding shares of common stock (par 10 cents). National Alfalfa Dehydrating & Milling Co., holder of the 100,000 common shares, proposes to offer to its stockholders preferential warrants to subscribe to 98,750 shares of Grain Elevator stock on the basis of one warrant to purchase one-eighth share of Grain Elevator stock for each share of National Alfalfa common held on Nov. 17, 1958; rights to expire Dec. 31. **Price**—$2 per share. **Proceeds**—To selling stockholder. **Office**—927 Market Street, Wilmington, Del. **Underwriter**—None.

Grand Union Co.
Oct. 29 filed 187,534 shares of common stock (par $5) being offered in exchange for outstanding common stock of Sunrise Supermarkets Corp. at the rate of one share of Grand Union stock for each 2.409 shares of Sunrise stock. The offer is subject to acceptance by at least 80% of the outstanding Sunrise shares by Dec. 31. Statement became effective Dec. 10.

Guaranty Life Insurance Co. of America
Nov. 14 filed 88,740 shares of class A common capital stock (par $1.80). **Price**—$5.35 per share. **Proceeds**—To increase capital and surplus. **Office**—815 15th Street, N. W., Washington, D. C. **Underwriter**—None.

Gulf States Utilities Co. (1/19)
Dec. 11 filed $10,000,000 of first mortgage bonds due 1989. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and White Weld & Co. (jointly); Stone & Webster Securities Corp.; and Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received up to noon (EST) on Jan. 19 at The Hanover Bank, 70 Broadway, New York 15, N.Y.

Gulf States Utilities Co. (1/13)
Dec. 11 filed 100,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lee Higginson Corp; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers and Equitable Securities Corp. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 13 at The Hanover Bank, 70 Broadway, New York 15, N. Y.

Hamilton Oil & Gas Corp.
Oct. 22 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—To acquire funds to test drill, explore, and develop oil and gas properties. **Underwriter**—None. [The registration includes an additional 588,000 common shares issuable upon exercise of 1,176,000 options rights previously offered (Oct. 19, 1957), which rights entitle the original purchaser thereof to purchase one-half share of stock at 50 cents per share at the expiration of 13 months after commencement of such offering.]

★ Harney Corp.
Dec. 12 (letter of notification) 750,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To acquire properties, exploring, providing access and developing the properties and for working capital. **Office**—71 Southwest Third Ave., Ontario, Ore. **Underwriter**—None.

Heartland Development Corp.
Oct. 23 (letter of notification) 22,820 shares of non-voting convertible preference stock (par $12) to be offered for subscription by stockholders on the basis of one share of convertible preference stock for each 10 shares of common stock held on or about Nov. 1, 1958. Stockholders will have 45 days in which to exercise the rights. **Price**—At par. **Proceeds**—To repay debts, acquisition of investments, and for general purposes. **Address**—P. O. Box-348, Albany, N. Y. **Underwriter**—None.

Heliogen Products, Inc. (1/9)
Oct. 22 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office**—35-10 Astoria Blvd., L. I. C. 3, N. Y. **Underwriter**—Albion Securities Co., Suite 1512, 11 Broadway, New York 4, N. Y.

Highway Trailer Industries, Inc.
Nov. 24 filed 473,000 outstanding shares of common stock (par 25 cents). **Price**—At prices generally prevailing on the American Stock Exchange. **Proceeds**—To selling stockholders. **Office**—250 Park Avenue, N. Y. **Underwriter**—None.

★ Hilton Credit Corp., Beverly Hills, Calif.
Dec. 18 filed 1,942,570 shares of common stock (par $1) to be offered for subscription by common stockholders of Hilton Hotels Corp. at the rate of one share of Hilton Credit stock for each two shares of Hilton Hotels stock. **Price**—To be supplied by amendment. **Proceeds**—Together with bank loans, will comprise the operating funds of Hilton Credit and will be used for general corporate purposes and to finance the company's purchase of charge accounts from Hilton Hotels and other establishments who may agree to honor Carte Blanche cards. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

Hoagland & Dodge Drilling Co., Inc.
June 12 filed 27,000 shares of capital stock. Price—$10 per share. Proceeds—To be used in part for the exploration of mines and development and operation of mines and in payment of indebtedness. Office—Tucson, Ariz. Underwriter—None.

★ Home Owners Life Insurance Co.
Dec. 19 filed 153,840 shares of common stock to be offered for subscription by stockholders on the basis of one additional share for each two shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—H. Hentz & Co., New York. **Offering**—Expected late in January.

Home-Stake Production Co., Tulsa, Okla.
Nov. 5 filed 116,667 shares of common stock (par $5). **Price**—$6 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—2202 Philtower Bldg., Tulsa, Okla. **Underwriter**—None.

★ Household Finance Corp., Chicago, Ill. (1/7-8)
Dec. 19 filed $30,000,000 of sinking fund debentures due 1984. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank loans which were incurred under the company's established line of credit to provide additional funds for lending to customers in the usual course of business. **Underwriters**—Lee Higginson Corp. and White, Weld & Co., both of New York, and William Blair & Co., Chicago, Ill.

Indiana & Michigan Electric Co.
Sept. 26 filed $20,000,000 of first mortgage bonds due Nov. 1, 1988. **Proceeds**—To retire bank loans used for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Offering**—Date indefinite.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). Price—$1 per share. Proceeds—To develop and operate graphite and mica properties in Alabama. Underwriters—Dearborn & Co. and Carr-Rigdom & Co. both of Washington, D. C., on a best efforts basis. Statement effective Nov. 18.

Industro Transistor Corp. (N. Y.)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). Price—To be related to the market price. Proceeds—For working capital and to enlarge research and development department. Underwriter—S. D. Fuller & Co., New York. Offering—Being held in abeyance.

Insurance City Life Co., Hartford, Conn.
Nov. 26 (letter of notification) 15,750 shares of capital stock (par $10) being offered for subscription by stockholders of record Nov. 28, 1958, on a one-for-two basis; rights to expire on Dec. 26. **Price**—$17.50 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Putnam & Co. and E. T. Andrews & Co., both of Hartford, Conn.

Investment Corp. of Florida
Oct. 9 (letter of notification) 55,555 shares of common stock (par two cents). **Price**—$4.50 per share. **Proceeds**—For capital account and paid-in surplus. **Office**—Atlantic Federal Building, 1750 E. Sunrise Boulevard, Ft. Lauderdale, Fla. **Underwriter**—None.

★ Israel Citrus Plantations Ltd.
Dec. 23 filed 750,000 shares of common stock. **Price**—$1 per share. **Proceeds**—To be used for new packing houses, for purchase of citrus groves and for the planting of new groves. **Office**—Tel Aviv, Israel. **Underwriters**—None.

Israel Investors Corp.
Dec. 1 filed 46,260 shares of common stock. **Price**—$100 per share. **Proceeds**—For investment. **Office**—19 Rector Street, New York, N. Y. **Underwriter**—None. **Offering**—Expected about middle of January.

Itemco Inc.
Nov. 28 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire machinery and equipment and additional space for test laboratories; and for working capital. **Office**—4 Manhasset Ave., Port Washington, L. I., N. Y. **Underwriter**—B. Fennekohl & Co., 205 East 85th St., New York, N. Y.

★ Jackson's Minit Markets, Inc.
Dec. 19 filed 250,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For acquisition of land and construction of stores prior to their sales to others and their lease-back by the company; for the equipping and stocking of its stores, and for general operating purposes. **Office**—5113 Fairmont St., Jacksonville, Fla. **Underwriters**—Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.; Courts & Co., Atlanta, Ga.; and The Johnson, Lane Space Corp., Savannah, Ga.

★ Kaiser Industries Corp. (1/12)
Dec. 22 filed 500,000 shares of common stock (par $4). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—The First Boston Corp., Dean Witter & Co. and Carl M. Loeb, Rhoades & Co., all of New York.

★ Kaman Aircraft Corp., Bloomfield, Conn. (1/7)
Dec. 15 filed $1,250,000 of 6% convertible subordinated debentures due 1974. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

★ Kansas Power & Light Co. (1/14)
Dec. 22 filed 275,000 shares of common stock (par $8.75). **Price**—To be supplied by amendment. **Proceeds**—To repay $6,500,000 of bank borrowings and for construction program. **Underwriter**—The First Boston Corp., New York.

● Kennesaw Life & Accident Insurance Co.
Nov. 26 (letter of notification) 59,393 shares of common stock (par $1) being offered to stockholders of record Nov. 17, 1958, on a one-for-four basis; rights to expire on Dec. 30. **Price**—$2.25 per share. **Proceeds**—To increase capital and surplus. **Office**—317 Atlanta St., Marietta, Ga. **Underwriter**—Robinson-Humphrey Co., Atlanta, Ga.

★ Keystone Custodian Funds, Inc.
Dec. 15 filed (by amendment) an additional 1,000,000 shares of Keystone Custodian Fund Certificates of Participation Series S 3. **Price**—At market. **Proceeds**—For investment. **Office**—Boston, Mass.

● Laughlin Alloy Steel Co., Inc.
Aug. 28 filed $500,000 of 6% subordinated callable debentures due June 30, 1968, and 150,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 30 common shares. **Price**—$100 per unit. **Proceeds**—Together with a $175,000 mortgage loan from the American Brake Shoe Co., will be used to meet expenditures in acquiring latter company's South San Francisco foundry and for working capital. **Offices**—Las Vegas, Nev., and South San Francisco, Calif. **Underwriter**—Sam Watson Co., Inc., Little Rock, Ark., on a best efforts basis. Statement withdrawn Oct. 29.

★ Laure Exploration Co., Inc., Arnett, Okla.
Dec. 23 filed 400,000 shares of common stock. **Price**—$2 per share. **Proceeds**—For machinery and equipment and exploration purposes. **Underwriter**—None.

Life Insurance Securities Corp.
March 28 filed 1,000,000 shares of capital stock (par $1). Price—$5 per share. Proceeds—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." Underwriter—First Maine Corp., Portland, Me.

Los Angeles Drug Co.
Oct. 3 filed 50,000 shares of capital stock, to be offered for subscription by holders of outstanding stock, on a pro rata basis. Any shares not so sold will be offered on an exchange basis to holders of outstanding 5% sinking fund debentures. **Price**—$10.50 per share to stockholders; $11.50 to public. **Proceeds**—$328,300 to redeem outstanding 5% sinking fund debentures and $189,200 to reduce short term bank loans. **Office**—Los Angeles, Calif. **Underwriter**—Quincy Cass Associates, Los Angeles, Calif.

Lowenstein (M.) & Sons, Inc.
Nov. 7 (letter of notification) 3,225 shares of common stock (par $1) being offered on a basis of 1¼ shares in exchange for one share of capital stock of Wamsutta Mills. The offer expires on Dec. 19. **Office**—1430 Broadway, New York, N. Y. **Underwriter**—None.

LuHoc Mining Corp.
Sept. 29 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For the acquisition of properties under option and for various geological expenses, test drilling, purchase of equipment, and other similar purposes. **Offices**—Wilmington, Del., and Emporium, Pa. **Underwriter**—None.

M. C. A. Credit Co., Inc., Miami, Fla.
Oct. 6 filed 100,000 shares of common stock. **Price**—$5 per share. **Proceeds**—To reduce current indebtedness to Walter E. Heller & Co. **Underwriter**—Plymouth Bond & Share Corp., Miami, Fla.

● Mammoth Mountain Inn Corp.
Dec. 10 (letter of notification) 70,000 shares of common stock (par $5). **Price**—$5.50 per share. **Proceeds**—To be used to build and operate and all-year resort hotel. **Office**—Suite 204, 8907 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—None. Letter to be amended.

Mankato Citizens Telephone Co.
Nov. 19 (letter of notification) 5,454 shares of common stock (no par) to be offered for subscription by stockholders on the basis of one new share for each seven shares held; unsubscribed shares to employees. **Price**—$55 per share. **Proceeds**—To complete dial conversion program. **Office**—315 South Second St., Mankato, Minn. **Underwriter**—None.

● Marine Corp., Milwaukee, Wis.
Nov. 10 filed 501,500 shares of common stock (par $10) being offered in exchange for all the issued and outstanding shares of capital stock of the following banks at the indicated ratios of exchange: (1) two shares for each of the 220,000 outstanding shares of Marine National Exchange Bank of Milwaukee, $20 par; (2) 22 shares for each of the 1,000 outstanding shares of Cudahy State Bank, Cudahy, Wis., $100 par; (3) three shares for each of the 7,500 outstanding shares of Holton State Bank, Milwaukee, $20 par; and (4) 17 shares for each of the 1,000 outstanding shares of South Milwaukee Bank, South Milwaukee, $100 par. Each of the exchange proposals is conditioned (among other things) upon exchanges being made with the holders of not less than 80% of the stock of the bank with respect to which the proposal is made. The offer will terminate on Dec. 31, 1958. Statement effective Dec. 8.

★ Marionflex Realty Co.
Dec. 10 (letter of notification) 900 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—For construction purposes. **Office**—131 Highland Ave., Montclair, N. J. **Underwriter**—None.

★ Maryland Life Insurance Co. of Baltimore
Nov. 26 (letter of notification) 6,954 shares of capital stock (par $2) to be offered for subscription by stock-

holders of record on Dec. 8, 1958 in the ratio of one share for each 10 shares held. Rights expire on Dec. 29, 1958. Unsubscribed shares to the public. Price—$40 per share. Proceeds—For capital and surplus of the company. Office—10 South Street, Baltimore, Md. Underwriter—None.

Mechmetal-Tronics Inc. (1/12)
Nov. 24 (letter of notification) 90,000 shares of common stock (par 20 cents). Price—$2.75 per share. Proceeds—For payment on contract to purchase invention; research and development expenses; and working capital. Office—c/o Virgil F. Every, 20 Lexington Avenue, Rochelle Park, N. J. Underwriter—Charles Plohn & Co., New York, N. Y.

Merchants Petroleum Co.
Oct. 8 (letter of notification) 159,395 shares of common stock (par 25 cents) being offered for subscription by stockholders of record Nov. 24, 1958 on the basis of one new share for each five shares held; rights to expire Jan. 15, 1959 (with an oversubscription privilege). Price—$1.40 per share. Proceeds—To reduce bank loan; to increase working capital and for general corporate purposes. Office—617 W. 7th Street, Los Angeles, Calif. Underwriter—None.

Mid-Atlantic Marina, Inc., Baltimore, Md.
Oct. 28 (letter of notification) 60,000 shares of 7% preferred stock (par $3.50). Price—$5 per share. Proceeds—For construction of a marina. Office — Room 104, Old Town Bank Bldg., Baltimore 2, Md. Underwriter—Maryland Securities Co., Baltimore, Md.

★ Midland Cooperatives, Inc.
Dec. 15 (letter of notification) $250,000 of 5% subordinated debenture notes, of which $125,000 principal amount will mature in seven years from date of issuance; $50,000 thereof in eight years; and $75,000 thereof in 10 years. Price — At face amount (in denominations of $100). Proceeds—For working capital. Office—739 Johnson St., Northeast, Minneapolis 13, Minn. Underwriter—None.

Military Publishing Institute, Inc.
Dec. 9 (letter of notification) 125,000 shares of common stock (par 5 cents). Price—$2 per share. Proceeds—For general corporate purposes and working capital. Office—55 West 42nd Street, New York 36, N. Y. Underwriter—C. H. Abraham & Co., Inc., 565 Fifth Ave., New York 17, N. Y.

★ Millsap Oil & Gas Co.
Dec. 23 filed 602,786 shares of common stock. Price—$1 per share. Proceeds — For additional working capital. Office—Siloam Springs, Ark. Underwriter—None.

Montana Power Co.
July 1 filed $20,000,000 of first mortgage bonds due 1988. Proceeds — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). Bids—Had been expected to be received up to noon (EDT) on Aug. 26 at Room 2033, Two Rector St., New York, N. Y., but company on Aug. 22 again decided to defer sale pending improvement in market conditions.

Montana Power Co.
July 1 filed 100,000 shares of common stock (no par). The stock will be offered only to bona fide residents of Montana. Price—To be related to the current market price on the New York Stock Exchange. Proceeds—Together with other funds, to carry on the company's construction program through 1959. Manager-Dealers—Smith, Barney & Co., Kidder, Peabody & Co. and Blyth & Co., Inc.

Natural Gas Service Co. (1/7)
Dec. 4 filed $200,000 of 6% subordinated income debentures due Jan. 15, 1984, and 40,000 shares of common stock to be offered in units of $20 of debentures and four shares of common stock. Price—To be supplied by amendment. Proceeds—For capital expenditures. Office—403 William St., Fredericksburg, Va. Underwriter—Kidder, Peabody & Co., Inc., New York.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. Price—At par ($1 per share). Proceeds—For organizational expenses and first three months' operational expenses. Office—1250 Wilshire Blvd., Los Angeles 17, Calif. Underwriter—Waldron & Co., San Francisco 4, Calif.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). Price—$2 per share. Proceeds—To pay loan; to acquire fishing tools for leasing; and for working capital. Office—931 San Jacinto Bldg., Houston, Tex. Underwriter—T. J. Campbell Investment Co., Inc., Houston, Tex.

● Networks Electronic Corp. (12/29-30)
Dec. 8 (letter of notification) 150,000 shares of common stock (par 50 cents). Price—$2 per share. Proceeds—To be used for development of new engineering projects; purchase of 10 acres of land, and the balance will be used for working capital. Office—14806 Oxnard St., Van Nuys, Calif. Underwriters—Holton, Hull & Co., Los Angeles, Calif. and Pacific Coast Securities Co., San Francisco, Calif.

New Jersey Investing Fund, Inc., New York
Dec. 9 filed 200,000 shares of capital stock. Price—At market. Proceeds—For investment. Investment Adviser and Distributor—Spear, Leeds & Kellogg, New York.

Northern Insurance Co. of New York (12/31)
Dec. 5 filed 145,200 additional shares of capital stock (par $12.50) to be offered for subscription by stockholders of record Dec. 23, 1958, at the rate of one new share for each two shares then held (exclusive of any shares issuable to stockholders as a result of a distribution of one new share for each old share held of record Dec. 23, 1958 which will be made concurrently with the issuance of the warrants); rights to expire on Jan. 19. Price—To be supplied by amendment. Proceeds—To increase capital and surplus. Underwriters—The First Boston Corp. and Wood, Struthers & Co., both of New York.

● Northwest Gas & Oil Exploration Co. (1/6)
Aug. 22 (letter of notification) 300,000 shares of common stock (par 10 cents). Price—$1 per share. Proceeds—For acquisition of additional gas and oil interests and corporate administrative expenses. Office—150 Broadway, New York 38, N. Y. Underwriter — Greenfield & Co., Inc., New York 5, N. Y. Statement effective Dec. 15.

Nylonet Corp.
Nov. 24 (letter of notification) 600,000 shares of common stock (par 10 cents). Price—50 cents per share. Proceeds—For working capital. Office—20th Ave., N. W. 75th St., Miami, Fla. Underwriter—Cosby & Co., Clearwater, Fla.

★ O. K. Rubber Welders, Inc.
Dec. 15 filed 60,600 shares of common stock, $43,333.33 of 3¼% debentures maturing on or before May 6, 1965, $692,000 of 6% debentures maturing on or before Dec. 31, 1974 and $123,000 of 7% debentures due on or before May 6, 1965. The company proposes to make a public offering of 25,000 shares of common stock at $10 per share. The remaining shares and the debentures are subject to an exchange offer between this corporation O. K. Rubber, Inc., and O. K. Ko-op Rubber Welding System, on an alternative basis. Proceeds—Of the public offering, will be used for additional working capital and/or to service part of the company's debt. Office—551 Rio Grande Ave., Littleton, Colo. Underwriter—None.

Oak Ridge, Inc.
Sept. 4 (letter of notification) 100,000 shares of common stock (par $1). Price — $3 per share. Proceeds — For working capital. Office—11 Flamingo Plaza, Hialeah, Fla. Underwriter — Henry & Associates, Inc., 11 Flamingo Plaza, Hialeah, Fla.

Odlin Industries, Inc.
Nov. 12 filed $250,000 of 5½% convertible debentures and 250,000 shares of common stock (par 10 cents). Price—Debentures at 100% and stock at $3 per share. Proceeds—To purchase a textile mill, machinery, equipment and raw materials, and to provide working capital. Office—375 Park Ave., New York, N. Y. Underwriter—Harris Securities Corp., New York, N. Y., on a best efforts basis.

Oil, Gas & Minerals, Inc.
Nov. 16 (letter of notification) 116,000 shares of common stock (par 35 cents). Price—$1 per share. Proceeds—For development of oil and gas properties. Office—513 International Trade Mart, New Orleans 12, La. Underwriter—Assets Investment Co., Inc., New Orleans, La.

★ Ontario (Province of), Canada (1/14)
Dec. 22 filed $75,000,000 of 25-year debentures due Feb. 1, 1984. Price — To be supplied by amendment. Proceeds — For capital expenditures. Underwriters — Harriman Ripley & Co., Inc. and Wood, Gundy & Co., Inc., both of New York.

Oppenheimer Fund, Inc.
Dec. 5 filed 100,000 shares of capital stock. Price—At market (about $10 per share). Proceeds—For investment. Office—25 Broad St., New York. Underwriter—Oppenheimer & Co., New York. Offering—Expected sometime in February.

Pacific Telephone & Telegraph Co.
Oct. 24 filed 1,594,604 shares of common stock being offered for subscription by holders of outstanding common and preferred stock of record Nov. 26, 1958 on the basis of one new share for each eight common or preferred shares held; rights will expire on Dec. 30, 1958. Price—At par ($100 per share). Proceeds—To repay advances from American Telephone & Telegraph Co. Underwriter—None. Control—Of the 832,000 shares of 6% preferred stock (par $100) and 11,936,735 shares of common stock (par $100) outstanding as of Oct. 24, 1958, there were owned by the American Telephone & Telegraph Co. 640,957 preferred shares and 10,790,943 common shares.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). Price—At market. Proceeds—For investment. Underwriter—Investors Investment Corp., Pasadena, Calif.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. Proceeds—To redeem a like amount of 5% first mortgage bonds due 1987. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). Bids — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions.

● Pennsylvania Power & Light Co. (1/7)
Dec. 17 filed 295,841 shares of common stock (no par) to be offered by the company for subscription by its common stockholders of record Jan. 6, 1959, at the rate of one new share for each 20 shares then held; rights to expire on Jan. 26. Employees will be given a contingent subscription privilege. Price—To be supplied by amendment. Proceeds—To be added to the general funds of the company and used for general corporate purposes. Underwriters — The First Boston Corp., New York, and Drexel & Co., Philadelphia, Pa.

★ Perkin-Elmer Corp.
Dec. 18 filed 20,000 shares of common stock to be offered pursuant to the company's Employees Stock Purchase Plan of 1959; also 49,875 shares of common stock to be offered pursuant to the company's Restricted Stock Option Plan for Key Employees.

★ Philips Petroleum Co.
See Astrodyne, Inc., above.

Pioneer Trading Corp., Bayonne, N. J.
Nov. 10 filed 10,000 shares of $8 cumulative preferred stock, series A (par $100) and $1,000,000 of 8% subordinated debentures, series A, due Dec. 1, 1968 to be offered in units of a $500 debenture and five shares of preferred stock. Price—$1,000 per unit. Proceeds — For general corporate purposes. Underwriter—None.

● Ponce de Leon Trotting Association, Inc.
Aug. 7 filed 650,000 shares of common stock (par one cent). Price—$1.50 per share. Proceeds—To pay current liabilities, for new construction and working capital. Office—Bayard, Fla. Underwriter—Robert L. Ferman Co., Inc., Miami, Fla. Statement effective Dec. 17.

Prairie Fibreboard Ltd.
Aug. 18 filed 209,993 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." Price — $3 per share. Proceeds — For construction purpose. Office — Saskatoon, Saskatchewan, Canada. Underwriter—Allied Securities Ltd., and United Securities, Ltd., both of Saskatoon, Canada.

Rassco Financial Corp.
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. Price—At par. Proceeds—For working capital and general corporate purposes. Underwriter—Rassco Israel Corp., New York, on a "best efforts" basis.

Realty & Theatre Ventures, Inc.
Nov. 18 (letter of notification) 200,000 shares of class A stock (par one cent). Price—$1.50 per share. Proceeds—For general working capital. Office—50 Broad St., New York, N. Y. Underwriter—Willis E. Burnside & Co., Inc., New York.

Remo Corp., Orlando, Fla.
Sept. 22 filed 100,000 shares of class A common stock. Price—To be supplied by amendment. Proceeds—For working capital. Underwriter — Citrus Securities Co., Orlando, Fla.

★ Resistoflex Corp., Roseland, N. J.
Dec. 24 filed 100,000 shares of common stock, of which 50,000 shares are to be offered for the account of the company and 50,000 shares for the account of a selling stockholder. Price—To be supplied by amendment. Proceeds — To repay bank loans and for working capital. Underwriter—Bache & Co., New York.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. Price—To be supplied by amendment. Proceeds—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. Underwriter — Pacific Securities Ltd., Vancouver, Canada.

Rochester Razor, Inc.
Dec. 3 (letter of notification) 400 shares of capital stock (no par). Price—$125 per share. Proceeds—For general corporate purpose. Office—21 Rutter St., Rochester, N. Y. Underwriter — Frederick A. Merlau, Rochester, N. Y., associated with Grimm & Co., as agent for the corporation.

★ Rochester Telephone Corp. (1/12)
Dec. 18 filed 195,312 shares of common stock (par $10) to be offered for subscription by common stockholders of record Jan. 9, 1959 on the basis of one new share for each six shares then held; rights to expire on Jan. 26. Price—To be supplied by amendment. Proceeds—To repay bank borrowings. Underwriter—The First Boston Corp., New York.

Routh Robbins Investment Corp.
Sept. 22 filed $1,000,000 of 10-year 6% cumulative convertible debentures and 99,998 shares of common stock. Price—Of debentures, at par (in units of $100 each); and of stock, $1 per share. Proceeds — For investments and working capital. Office—Alexandria, Va. Underwriter—None.

St. Regis Paper Co.
Dec. 11 filed 288,450 shares of common stock, to be offered in exchange for outstanding shares of capital stock of F. J. Kress Box Co. on the basis of 2¼ shares of St. Regis common for each share of capital stock of Kress. St. Regis will declare the exchange offer effective if 95% of the outstanding shares of Kress stock are deposited in exchange and may elect to do so if a lesser per cent, but not less than 80%, of Kress shares, are so deposited.

San Diego Gas & Electric Co. (1/8)
Dec. 8 filed $15,000,000 of sinking fund debentures due Jan. 15, 1984. Proceeds—Toward the cost of additions to utility property. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart

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& Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler, Kuhn, Loeb & Co. and American Securities Corp. (jointly); Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Blyth & Co., Inc.; The First Boston Corp. **Bids**—To be received up to 8:30 a.m. (PST) on Jan. 8 at room 1200, 111 Sutter St., San Francisco 4, Calif.

San Diego Imperial Corp., San Diego, Calif.
Dec. 9 filed 845,000 shares of common stock, to be offered in exchange for all of the 45,000 outstanding shares of capital stock of Silver State Savings & Loan Association and 3,000 shares of capital stock of Silver State Insurance Agency, Inc., both of Denver, Colo.

★ Seiberling Rubber Co. (1/19)
Dec. 23 filed 106,841 shares of common stock to be offered to common stockholders on the basis of one new share for each four shares held on or about Jan. 19, 1959; rights to expire on Feb. 4. **Price**—To be supplied by amendment. **Proceeds** — Together with a proposed $3,000,000 term loan, will be used for general corporate purposes including working capital. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Service Life Insurance Co.
Sept. 26 (letter of notification) 3,567 shares of common stock (par $1). **Price**—$18.75 per share. **Proceeds**—To go to a selling stockholder. **Office**—400 W. Vickery Blvd., Fort Worth, Tex. **Underwriter**—Kay & Co., Inc., Houston, Tex.

Shares in America, Inc., Washington, D. C.
Dec. 12 filed 50,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office** — 1033-30th St., N. W., Washington 7, D. C. **Investment Advisor**—Investment Fund Management Corp.

● Sheraton Corp. of America
Oct. 24 filed $26,500,000 of 7½% capital income sinking fund debentures (reduced to $25,000,000 by amendment filed Dec. 17), $1,000,000 of the new debentures are to be offered to company employees at an offering price equal to 98% of principal amount. The remaining $24,000,000 of debentures will be offered for public sale at 100% of principal amount. **Proceeds**—For general corporate purposes, including the financing of the cost of any acquisitions and new construction. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass. and S. D. Lamb & Co., Buffalo, N. Y.

Sheridan-Belmont Hotel Co.
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. **Price**—At par. **Proceeds**—For working capital. **Office** — 3172 North Sheridan Rd., Chicago 14, Ill. **Underwriter**—None.

● Silicon Transistor Corp. (1/5-9)
Dec. 4 filed 200,000 shares of common stock (par 20 cents). **Price**—$3 per share. **Proceeds**—To purchase equipment, increase present inventories, and for working capital. **Office**—150 Glen Cove Road Carle Place, N. Y. **Underwriter**—None, Arnold Malkan, President, located at 565 Fifth Avenue, New York 17, N. Y., will subscribe for 100,000 shares if other 100,000 shares are sold publicly.

● Sire Plan of Elmsford, Inc., New York (1/7)
Nov. 10 filed $250,000 of 6% 10-year debentures and 5,000 shares of 6% participating preferred stock (par $50) to be offered in units of a $50 debenture and one share of preferred stock. **Price**—$100 per unit. **Proceeds**—For acquisition of motels. **Underwriter**—Sire Plan Portfolios, Inc., New York.

Slick Oil Corp., Houston, Texas
Dec. 8 filed $1,500,000 of participating interests in the corporation's joint venture program, to be offered in minimum amounts of $15,000, payable 20% down and the balance upon demand during 1959. **Proceeds**—To assemble and acquire interests in Canada and Continental United States. **Underwriters**—Rowles, Winston & Co., Houston, Tex., and Dewar, Robertson & Pancoast, San Antonio, Tex. **Offering** — Expected early in January.

★ Smith-Corona Marchant, Inc.
Dec. 24 filed $7,443,100 of convertible subordinated debentures due Jan. 1, 1979 to be offered for subscription by common stockholders on the basis of $100 principal amount of debentures for each 25 shares of stock held. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—Lehman Brothers, New York.

★ Southern California Edison Co. (1/19)
Dec. 24 filed 500,000 shares of common stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—The First Boston Corp., New York; and Dean Witter & Co., San Francisco, Calif.

★ Southern California Water Co. (1/13-15)
Dec. 22 filed $2,000,000 of convertible subordinated debentures, due Jan. 1, 1979. **Price**—To be supplied by amendment. **Proceeds**—To retire short-term bank loans, and the balance for construction program. **Underwriters**—Dean Witter & Co., Chicago, Ill., and Smith, Polian & Co., Omaha, Neb.

★ Southern California Water Co. (1/13-15)
Dec. 22 filed 43,800 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriters**—Dean Witter & Co., Chicago, Ill., and Smith, Polian & Co., Omaha, Neb.

★ Southern Gulf Utilities, Inc.
Dec. 15 (letter of notification) 127,659 shares of common stock (par five cents). **Price**—$2.35 per share. **Proceeds**—For payment of loan and account payable; and for working capital. **Office**—6930 N. W. 27th Ave., Miami, Fla. **Underwriter**—Ross Securities, Inc., New York, N. Y. **Offering**—Expected some time in January.

★ Southern Natural Gas Co. (1/20)
Dec. 18 filed $35,000,000 20-year first mortgage pipe line bonds due 1979. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 20 in Room 1130, 90 Broad St., New York, N. Y.

★ Spencer Laboratories, Inc.
Dec. 18 (letter of notification) 3,000 shares of class A capital stock (no par). **Price**—$100 per share. **Proceeds**—For corporate purposes. **Office** — Morristown, N. J. **Underwriter**—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed $2,000,000 of 6% 10-year convertible debentures (subordinated), due Jan. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—$750,000 to pay AMF Pinspotters, Inc. for bowling alley beds; $350,000 to pay for other installations, fixtures and equipment; $85,000 to expand two present establishments by increasing the number of alley beds by eight at Yorktown Heights and by six at Wilton Manor Lanes, Fort Lauderdale; $300,000 for deposits on leaseholds, telephones and utilities; and $395,000 for working capital. **Underwriter**—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed 461,950 shares of common stock (par one cent). **Price**—At the market (but in no event less than $6 per share). **Proceeds**—To selling stockholders. **Office**—33 Great Neck Rd., Great Neck, N. Y. **Underwriter**—None.

★ Spur Oil Co. (1/12-16)
Dec. 15 filed 1,000,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—Together with $6,500,000 of borrowings, will be used for the acquisition of Spur Distributing Co., Inc., and for general corporate purposes. **Office**—Eighth Ave. South and Bradford Ave., Nashville, Tenn. **Underwriter** — Equitable Securities Corp., Nashville, Tenn.

State Life, Health & Accident Insurance Co.
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be invested in stocks and bonds and to acquire other life insurance companies. **Address**—P. O. Box 678, Gulfport Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss

Strategic Minerals Corp. of America, Dallas, Tex
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $1 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

Surrey Oil & Gas Corp., Dallas, Tex. (1/15)
Nov. 12 filed 300,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To retire current liabilities and for drilling and exploration costs and working capital. **Underwriter**—Peter Morgan & Co., New York.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital **Office** — 111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tower Merchandise Mart, Inc., Boulder, Colo.
Nov. 10 filed 500,000 shares of common stock (par $5). **Price**—$10 per share. **Proceeds**—For working capital and construction program. **Underwriter**—Allen Investment Co., Boulder, Colo.

★ Tractor Supply Co. (1/8)
Dec. 18 filed 480,000 outstanding shares of class A common stock. **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office** — 2700 North Halsted St., Chicago, Ill. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

● Trout Mining Co.
Dec. 2 filed 280,763 shares of common stock, of which 278,043 shares are to be offered for subscription by holders of company's common stock of record Dec. 31, 1958, on the basis of three new shares for each share to be held following a distribution to stockholders of record Dec. 5, 1958 of American Machine & Metals, Inc. There will be an oversubscription privilege. Rights are expected to expire on Jan. 16. The remaining 2,720 shares are to be offered to certain employees. **Price**—$1 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ United Asbestos Corp. Ltd. (1/5-9)
Dec. 12 filed 1,000,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—132 St. James Street West, Montreal, Quebec, Canada. **Underwriter**—Allen & Co., New York.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington. Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

★ United Pacific Aluminum Corp.
Dec. 18 filed 100,000 shares of common stock. **Price**—$8 per share. **Proceeds** — To purchase an additional cold rolling mill and for general corporate purposes. **Office**—5311 Avalon Blvd., Los Angeles, Calif. **Underwriters**—D. H. Blair & Co., New York, and Stern, Frank, Meyer & Fox, Los Angeles, Calif. **Offering**—Expected about the middle of January.

United Security Life & Accident Insurance Co.
Aug. 22 filed 120,000 shares of class A common stock. **Price**—$3 per share. **Proceeds**—To provide the reserves required to be held in life and accident insurance policies, and to pay the necessary expenses in producing insurance. **Office**—Louisville, Ky. **Underwriter**—None. Edmond M. Smith, is President.

● United States Freight Co.
Nov. 13 filed 203,897 shares of capital stock (no par) being offered for subscription by stockholders of record Dec. 18, 1958, at the rate of one new share for each four shares held, rights to expire on Jan. 6. **Price** — $35 per share. **Proceeds** — Some $750,000 will be used to prepay conditional sales contracts for trailers, tractors and miscellaneous equipment previously acquired by the company for use in "piggyback" operations, and approximately $1,750,000 will be applied to additional "piggyback" equipment, the balance will be used for general corporate purposes, primarily as additional working capital to finance expanded "piggyback" operations. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, New York.

United States Glass & Chemical Corp.
Nov. 26 filed 708,750 outstanding shares of common stock. **Price**—At market. **Proceeds** — To selling stockholders. **Office**—Tiffin, Ohio. **Underwriter**—None.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Vernon Co., Newton, Iowa
Nov. 25 filed 50,000 shares of common stock. **Price**—$9.25 per share. **Proceeds**—For working capital. **Underwriters**—T. C. Henderson & Co., Inc., Des Moines, Iowa, and Quail & Co., Inc., Davenport, Iowa.

★ Vita Food Products, Inc.
Dec. 16 (letter of notification) 12,000 shares of common stock (par 25 cents) to be offered as part of the consideration to be paid by the company for Mother's Food Products, Inc. **Proceeds**—To Jesse C. and Bernard Goodwin. **Office**—644 Greenwich St., New York, N. Y. **Underwriter**—Granbery, Marache & Co., 67 Wall St., New York, N. Y.

Vocaline Co. of America, Inc.
Nov. 10 (letter of notification) 21,500 shares of common stock (par $1.50). **Price**—To be supplied by amendment (approximately $2.25 per share). **Proceeds** — To repay short term bank loan; reduce accounts payable; acquire inventory and the balance for working capital. **Underwriter**—Paine, Webber, Jackson & Curtis, New York, N. Y.

Washington Water Power Co. (1/7)
Dec. 9 filed $15,000,000 of first mortgage bonds due 1989. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Kidder, Peabody & Co., Blyth & Co., Inc., White, Weld & Co. and Laurence M. Marks & Co., all of New York.

★ Wen Wood Organizations, Inc.
Dec. 18 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For land development and home construction in Florida; and for general corporate purposes. **Office**—62 Third Ave., Mineola, L. I., N. Y. and 2259 Bee Ridge Road, Sarasota, Fla. **Underwriter**—Michael G. Kletz & Co., Inc., 30 Rockefeller Plaza, New York, N. Y.

★ West Coast Grocery Co.
Dec. 11 (letter of notification) $50,000 of 6% 10-year convertible debentures to be offered in denominations of $20, $50, $60, $100 and $1,000 each. **Price**—At par. **Proceeds**—To strengthen capital position. **Office**—1525 East D St., Tacoma, Wash. **Underwriter**—None.

● West Ohio Gas Co.
Nov. 17 filed 37,615 shares of common stock (par $5) being offered for subscription by common stockholders of record Dec. 6, 1958, at the rate of one new share for each 10 shares then held; rights to expire on Jan. 9. **Price**—$15 per share. **Proceeds** — For construction program. **Office**—319 West Market St., Lima, O. **Underwriter**—None. Statement effective Dec. 15.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are being offered to stockholders at $2 per share (rights to expire on Jan. 17), and the remaining 62,035 shares are being publicly offered at $3 each. **Proceeds**—For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter**—Edwin Jefferson, 39 Broadway, New York 6, N. Y. Statement effective Nov. 18.

Wilmington Country Club, Wilmington, Del.
Oct. 27 filed $500,000 of debentures due 1991 (non interest bearing) and 800 shares of common stock (par $25) to be offered to members of this club and of

Concord Ltd. **Price**—$375 per common share and $1,000 per debenture. **Proceeds** — To develop property and build certain facilities. **Underwriter**—None.

★ Winter Park Telephone Co.
Dec. 11 (letter of notification) 7,365 shares of common stock (par $10) to be offered to directors and employees under Employees Deferred Profit Sharing Plan Trust. **Price**—96% of market price. **Proceeds**—For extensions, additions and improvements. **Office** — 132 East New England Ave., Winter Park, Fla. **Underwriter**—None.

Woodward & Lothrop Inc. (1/8)
Dec. 9 filed 50,000 shares of common stock (par $10) **Price**—To be supplied by amendment. **Proceeds**—for merchandise inventories, accounts receivable, and other corporate purposes. **Underwriter**—Alex Brown & Sons, Baltimore, Md.

Wyoming Corp.
Nov. 17 filed 1,449,307 shares of common stock. Of these shares 1,199,307 are subject to partially completed subscriptions at $2, $3.33 and $4 per share; and the additional 250,000 shares are to be offered initially to shareholders of record Nov. 1, 1958, in the ratio of one new share for each 2.33 shares held on that date. **Price**—$4 per share. **Proceeds**—$300,000 will be used for payments on contract to purchase shares of International Fidelity Insurance Co.; $325,000 for capitalization of a fire insurance company; $500,000 for capitalization of a title insurance company; $500,000 for additional capital contribution to Great Plains Development Co.; and $300,000 as an additional capital contribution to Great Plains Mortgage Co. **Office**—319 E. "A" St., Casper, Wyo. **Underwriter**—None.

★ Yellowstone National Life Insurance Co.
Dec. 15 (letter of notification) 7,379 shares of class A common stock (par $10) and 7,511 shares of class B common stock (par $1) to be offered in units of nine shares of class A stock and 10 shares of class B stock. **Price**—$300 per unit. **Proceeds**—For surplus and capital accounts. **Address**—P. O. Box 1, Rexburg, Idaho. **Underwriter**—None.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co Inc. and Merrill Lynch, Pierce, Fenner & Smith

Alabama Power Co. (4/30)
Dec. 10 it was announced that the company plans the issue and sale of $20,000,000 of 30-year first mortgage bonds. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Eastman Dillon, Union Securities & Co., Equitable Securities Corp. and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Registration**—Planned for April 3. **Bids**—Expected to be received on April 30.

★ American Natural Gas Co.
Dec. 15 it was announced that the company has filed an application with the SEC for the issuance of 486,325 additional shares of common stock (par $25) in the early months of 1959 to stockholders under rights on the basis of one new share for each 10 shares held (with an oversubscription privilege). **Price**—To be determined just prior to offering. **Proceeds**—To be used as the equity base for the financing of substantial expansion programs of system companies. **Underwriter**—To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Drexel & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.

★ Arnold Altex Aluminum Co.
Dec. 15 it was reported that the company plans registration in January of 250,000 shares of common stock. **Proceeds**—To go to selling stockholders. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

★ Avco Manufacturing Co.
Dec. 15 it was reported that the company is considering the issuance of about $15,000,000 of convertible debentures. **Underwriters** — May be Lehman Brothers and Emanuel, Deetjen & Co., both of New York.

★ Chicago & North Western Ry. (1/6)
Bids will be received by the company up to noon (CST) on Jan. 6 for the purchase from it of $3,300,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Columbia Gas System, Inc.
Dec. 1 it was reported that the company may issue and sell additional common stock in the first half of 1959. **Proceeds**—To repay outstanding bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, White, Weld & Co., Shields & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co.

Denmark (Kingdom of)
Sept. 2 it was reported that an issue of between $20,000,000 to $30,000,000 may possibly be placed on the American market this year. **Underwriter**—Kuhn, Loeb & Co., New York.

Equitable Gas Co.
July 18 it was announced that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White Weld & Co., all of New York.

First City National Bank
Sept. 19 it was announced Bank plans to offer to its stockholders of record Oct. 2, 1958 the right to subscribe for 125,000 additional shares of capital stock (par $20) on the basis of one new share for each 10 shares held; rights to expire on Jan. 10, 1959. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Office**—931 Main Street, Houston 1, Texas.

First National Bank & Trust Co., Tulsa, Okla. (1/13)
Nov. 25 it was reported that the stockholders of the Bank will vote on Jan. 13 to approve a plan to offer 100,000 shares of additional capital stock (par $10) on about a one-for-six basis to stockholders of record Jan. 13, 1959. **Price**—$27 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, Oklahoma City, Okla.

Georgia Power Co. (9/10)
Dec. 10 it was announced that the company plans to issue and sell $18,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Lehman Brothers; The First Boston Corp.; Morgan Stanley & Co.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Registration**—Planned for Aug. 14. **Bids**—Expected to be received on Sept. 10.

Giant Food Stores, Inc.
Nov. 3 it was reported that the company plans an offering of common stock to holders of Giant Food Properties, Inc. **Underwriters**—May be Kidder, Peabody & Co., New York, and Auchincloss, Parker & Redpath, Washington, D. C.

Great Atlantic & Pacific Tea Co., Inc.
Feb. 19 it was reported a secondary offering of common voting stock is expected this year. **Underwriters** — May include: Blyth & Co., Inc.; Lehman Brothers and Smith, Barney & Co.

Gulf Power Co. (4/2)
Dec. 10 it was announced that the company plans to issue and sell $7,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, Salomon Bros. & Hutzler and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co.; Equitable Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blyth & Co., Inc. **Registration**—Planned for March 6. **Bids**—Expected to be received on April 2.

Heublein, Inc.
Aug. 25 it was reported that the company plans early registration of 400,000 shares of common stock; of which 100,000 shares are to be sold for the account of selling stockholders. **Proceeds**—For expansion. **Underwriter**—Glore, Forgan & Co., New York. **Offering**—Not expected this year.

Interstate Motor Freight System, Inc. (Mich.)
Dec. 1 it was reported that the company plans to issue and sell 125,000 shares of common stock. **Underwriters**—A. C. Allyn & Co., Inc. and Walston & Co., Inc. **Offering**—Expected any day.

Japan (Empire of)
Aug. 20 it was stated that an issue of between $25,000,000 and $30,000,000 of bonds may soon be publicly offered on the American market. **Proceeds**—For public works projects, etc. **Financial Adviser**—The First Boston Corp., New York.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year. The proposed sale was subsequently deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp

Laboratory for Electronics, Inc.
July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

Manufacturers & Traders Trust Co.
Dec. 3 bank offered to its stockholders of record Dec. 2 rights to subscribe on or before Dec. 17 for 322,388 shares of capital stock (par $5) at rate of one new share for each six shares held. **Price**—$24 per share. **Proceeds** — To increase capital and surplus. **Underwriter** — The First Boston Corp., New York

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

★ Mercantile National Bank, Dallas, Texas.
Dec. 15 it was announced that the stockholders will vote Jan. 20 on authorizing the issuance of 125,000 additional shares of common stock on the basis of one new shares for each 10 shares held. **Price**—$26 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Rauscher, Pierce & Co., Inc. and First Southwest Co., both of Dallas, Texas.

★ Miami Window Corp.
Dec. 15 it was reported that the company plans issuance and sale of $2,500,000 6½% debentures due 1974 (with attachable warrants—each $1,000 debenture to carry a warrant to buy 200 shares of common stock at $3 per share). **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill., and Clayton Securities Corp., Boston, Mass. **Registration**—Expected about mid-January.

Michigan Bell Telephone Co.
Aug. 12 directors approved plans to sell $40,000,000 of 34-year debentures. **Proceeds**—To redeem a like amount of 4¾% debentures due November, 1992. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Had been tentatively scheduled to be received on Sept. 16, but on Aug. 26 it was voted to postpone this refunding program because of present market conditions.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Mississippi Power Co. (6/25)
Dec. 10 it was announced that this company plans to issue and sell $5,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Registration**—Planned for May 29. **Bids**—Expected to be received on June 25.

Mobile Gas Service Corp. (1/22)
Dec. 12 it was announced that the company plans to offer to its stockholders 33,000 additional shares of common stock (par $5) on the basis of one new share for each 10 shares held on or about Jan. 22. **Underwriters**—The First Boston Corp., New York; and Robinson-Humphrey & Co., Atlanta, Ga. **Registration**—Expected about Dec. 30.

Moore-McCormack Lines, Inc.
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering** — Postponed because of uncertain market conditions.

★ National State Bank, Newark, N. J. (1/23)
Dec. 22 it was announced that stockholders will vote Jan. 13 on approving the proposed offering of about 80,000 shares of common stock to stockholders of record about Jan. 23, 1958, on the basis of one new share for each six shares then held; rights to expire on Feb. 16. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Clark, Dodge & Co., New York.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

North American Equitable Life Assurance Co.
Dec. 1 it was announced that the company plans an offering of 950,000 shares of capital stock. **Price** — $10 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—John M. Tait & Associates, Cincinnati, Ohio.

North American Van Lines, Inc.
Nov. 20, James D. Edgett, President, announced company plans early in 1959 to make a public offering of its stock, and has applied to the Interstate Commerce Commission for authority to do so.

● Northern Illinois Gas Co.
Dec. 12 it was reported that the company will sell in 1959 about $35,000,000 of new securities, including some first mortgage bonds, in addition, there is a possibility of a preferred stock issue and raising of some funds through common stock financing, "perhaps in the form of convertible debentures." **Proceeds**—For capital expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Northern States Power Co. (Minn.)
Dec. 3, Allen S. King, President, announced that the

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company plans about the middle of 1959 to put out a common stock issue and possibly a $15,000,000 preferred stock issue if there is a satisfactory market. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders (1) For preferred stock: Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Harriman Ripley & Co., Inc. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. (2) For common stock: Lehman Brothers and Riter & Co. (jointly); The First Boston Corp., Blyth & Co., Inc. and Kuhn, Loeb & Co. (jointly); White, Weld & Co. and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith.

● Pacific National Bank of San Francisco (1/13)
Dec. 12 directors approved proposed offering of 74,511 additional shares of new capital stock to stockholders of record Jan. 13 at the rate of one new share for each three shares held; rights will expire on Feb. 3. **Underwriters**—Blyth & Co., Inc. and Elworthy & Co., both of San Francisco, Calif.

★ Public Service Co. of Indiana, Inc. (2/17)
Dec. 8 it was announced that the company will issue $25,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans incurred for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Blyth & Co., Inc.; Glore, Forgan & Co.; Harriman Ripley & Co., Inc. **Bids**—Expected to be received on Feb. 17.

★ Rockland-Atlas National Bank of Boston, Mass. (1/20)
Dec. 16 it was announced it will offer its stockholders of record Jan. 20, 1959, an additional 40,000 shares of capital stock (par $10) on the basis of one new share for each 6½ shares held. The offering period will last for about two weeks. **Proceeds**—To increase capital and surplus. **Underwriter**—May be The First Boston Corp., New York.

South Coast Corp.
Oct. 27 it was reported that the company is planning some long-term financing. **Proceeds** — To replace an interim loan obtained in connection with the purchase of properties from Gulf States Land & Industries, and 4¼% bonds due 1960. **Underwriter** — May be Hornblower & Weeks, New York.

Southeastern Fidelity Fire Insurance Co.
Aug. 26 it was announced that the company in all probability will offer additional common stock to its shareholders in the near future. **Proceeds**—To expand operations. **Office** — 197 Auburn Ave., N. E., Atlanta, Ga. **Underwriter**—None.

Southern Co. (2/4)
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** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Lehman Brothers. **Bids**—Expected up to 11 a.m. (EST) on Feb. 4 at 250 Park Ave., New York, N. Y. **Registration**—Planned for Jan. 9.

Southern Electric Generating Co. (5/28)
Dec. 10 it was announced that the company plans to issue and sell $25,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Registration**—Planned for May 1. **Bids**—Expected to be received on May 28.

Southwestern Bell Telephone Co.
July 10 it was announced Missouri Public Service Commission authorized the company to issue $110,000,000 of 35-year debentures. **Proceeds** — To refund outstanding $100,000,000 4¾% debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Offering**—Has been postponed. Bids had been expected about Sept. 30, 1958.

★ Texas Eastern Transmission Corp.
Dec. 11 it was announced by W. Hargrove, Vice-President, that the corporation plans to raise about $90,000,000 through the sale of new securities (tentative plans call for the sale of bonds, debentures and preferred stock). **Proceeds**—To refund $30,000,000 of outstanding bank loans, and the balance will be used for capital expenditures. **Underwriter**—Dillon, Read & Co. Inc., New York.

Thomas & Betts Co.
Nov. 24 it was reported that the company plans early registration of about 250,000 to 300,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Smith, Barney & Co., New York. **Offering**—Planned for some time in January.

Transcontinental Gas Pipe Line Corp.
Dec. 8 it was reported that the company is planning the sale early in January of $30,000,000 to $35,000,000 of first mortgage pipeline bonds. Additional financing expected later in 1959. **Proceeds**—For construction program. **Underwriter**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959, but this financing may be put off until June, 1959. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Shields & Co. (jointly); Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith.

Universal Oil Products Co.
Aug. 13 it was reported that an issue of common stock will soon be offered to the public, the proceeds of which may run between $50,000,000 and $60,000,000. **Approval** of the transaction rests with the New York State Supreme Court (expected within two months). **Proceeds**—To the Petroleum Research Fund of the American Chemical Society. **Underwriters**—Expected to be Lehman Brothers, Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Smith, all of New York.

Venezuela (Government of)
July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

Virginian Ry.
Aug. 26 the directors approved a proposal to exchange 2,795,500 shares of 6% cumulative preferred stock (par $10) for $32,148,250 new 6% subordinated income sinking fund debentures to mature Aug. 1, 2008 on the basis of $11.50 principal amount of debentures for each preferred share. Offer began on Nov. 17 and will expire on Jan. 16. **Dealer-Manager**—Harriman Ripley & Co. Inc., New York.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Worcester Gas Light Co.
Aug. 18 it was reported that the company plans the sale [illegible] bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Our Reporter's Report

Corporate bonds, both new issue and seasoned obligations, are rounding out the year under a bit of pressure but with selling hardly of a nature to be termed disturbing, say market observers.

They feel that the forthcoming plans of the Treasury for raising new money are casting an increasingly lengthy shadow over the market. And it is the hope in such quarters that prospective corporate borrowers will keep a "foot on the brake" until the government's needs have been taken care of.

The calendar of new prospects has been building up in recent weeks but the consensus seems to be that corporate borrowers, if they attempt any January rush on the money market in competition with the Treasury, will risk cutting their own throats.

Feeling now is that the Treasury has temporized with the situation long enough and that it should proceed to bring out a long-term offering. There is nothing further to be gained, it is argued, by delaying a basic test of the market.

Corporate borrowers it is held, should, in the meantime tread slowly in making new demands on the market. This is expected to be the case in large manner, in any event, until the markets get a chance to look over whatever plans the Treasury may have in mind for providing for its immediate cash needs.

Tapering Off

That institutional buyers are currently more concerned with rounding out their books for the year, rather than with picking up odds and ends of recent new issues, was evident from the behavior of certain of such emissions.

Dealers reported that both Philadelphia Electric and Pacific Telephone & Telegraph Co. recently brought to market settled down to new lows early this week. It was a burst of demand for the Philadelphia Electric offering which gave the general market a lift a week ago.

The saving feature in the current situation is the fact that underwriters and dealers are not unduly weighed down by unsold inventory. The customary January reinvestment demand should take up a good part of such slack as exists in the weeks ahead.

Looking Ahead

The investment banking fraternity, judging by the calendar of issues on tap, will have plenty of time next week for taking care of the season's greetings. Only a single operation of consequence, and that a "rights" offering, is on tap.

Northern Insurance Co. of New York stockholders will be given the opportunity to exercise their "rights" to take up 145,200 shares of additional stock starting on Wednesday.

The following week, however, looks a little better, what with $75 million of C.I.T. Financial Corp. debentures due up on Jan. 8, along with $15 million San Diego Gas & Electric debentures and a similar issue for Washington Water Power Co.

Calendar Is Building

Several rather substantial financial undertakings have been placed in registration in recent days. Among these is a $75 million offering projected by the Province of Ontario, Canada, to be payable principal and interest, in U. S. currency.

Southern Natural Gas Co. has filed for $35 million of 20-year first mortgage pipe line bonds to be sold at competitive bidding and Champion Paper & Fibre Co. has put $20,036,400 of convertible subordinate debentures into registration.

In addition, several firms have registered for additional common stock to be offered on "rights" to shareholders. Included in that category are Pennsylvania Power & Light Co., Rochester Telephone Corp., and Seiberling Rubber Co.

T. W. Gauss Now With Wagenseller & Durst

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Theodore W. Gauss has become associated with Wagenseller & Durst, Inc., San Diego Trust & Savings Building. Mr. Gauss, who has been in the investment business in San Diego for many years was formerly with Eastman Dillon, Union Securities & Co., and prior thereto with Hope & Co.

With Boettcher & Co.

(Special to The Financial Chronicle)

DENVER, Colo. — James R. Harris has been added to the staff of Boettcher & Company, 828 Seventeenth Street, members of the New York Stock Exchange.

Performer Boat Corp. Common Stock Offered

R. A. Holman & Co., Inc., of New York City, on Dec. 22 publicly offered 300,000 shares of common stock (par 25 cents) of Performer Boat Corp. at $1 per share on a best efforts basis.

Performer Boat Corp. was organized on Oct. 24, 1958 in Delaware and is the owner of all of the outstanding stock of U. S. Fiber Glass Products, Inc., a corporation organized in California on Feb. 19, 1954. Performer Boat is presently a non-operating holding company with all operations being carried on by its wholly-owned subsidiary, U. S. Fiber Glass Products, Inc. The parent company intends to continue on as a non-operating holding company with all operations to be carried on by the subsidiary. At the present time seven basic models of fiberglass boats that generally can be typed as cruisers, runabouts and ski boats, are being manufactured and sold. The company is engaged in the business of designing, manufacturing and selling an extensive line of fiberglass boats under the trade name Performer. Its executive offices, production facilities and engineering department are located at 14720 Lakewood Blvd., Paramont, Calif.

The net proceeds from the sale of the stock are to be added to the company's working capital and utilized for general corporate purposes, including a building-up of current inventories and an expanded and more dynamic sales program.

The present capitalization of the company consists of 1,000,000 shares of common stock (par 25 cents) authorized and 370,000 shares of stock outstanding after giving effect to the current offering. This excludes 7,000 shares reserved for outstanding Employee Restricted Stock Options.

Two With Straus, Blosser

(Special to The Financial Chronicle)

CHICAGO, Ill. — Donald E. Moyer, Jr. and Nathan H. Rochmes are now affiliated with Straus, Blosser & Co., 39 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Hannaford & Talbot Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Raymond J. Tarbell has been added to the staff of Hannaford & Talbot, 519 California Street, members of the Pacific Coast Stock Exchange. He was in the past with Daniel D. Weston & Co.

With Anderson, Randolph

(Special to The Financial Chronicle)

DENVER, Colo. — Arthur R. Awenius and Earl L. Wild are now associated with Anderson, Randolph & Co., Inc., C. A. Johnson Building. Mr. Awenius was formerly with Garrett-Bromfield & Co. Mr. Wild was with Investment Sales, Inc.

Joins Hoffman-Walker

(Special to The Financial Chronicle)

COLUMBUS, Ga. — Mark F. Rosenberg has become connected with Toffman-Walker Co., Fourth National Bank Building.

With A. Wayne Hough

(Special to The Financial Chronicle)

PASADENA, Calif. — Winthrop O. Hearsey is now with A. Wayne Hough & Co., Security Building.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date.

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Dec. 28	§68.2	*74.5	73.7	53.4
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 28	§1,840,000	*2,011,000	1,988,000	1,366,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 12	7,096,654	7,067,285	6,967,885	6,884,460
Crude runs to stills—daily average (bbls.)	Dec. 12	†7,788,000	7,666,000	7,755,000	7,774,000
Gasoline output (bbls.)	Dec. 12	28,240,000	28,146,000	28,095,000	27,336,000
Kerosene output (bbls.)	Dec. 12	2,698,000	2,221,000	2,393,000	2,167,000
Distillate fuel oil output (bbls.)	Dec. 12	13,651,000	12,620,000	12,798,000	13,118,000
Residual fuel oil output (bbls.)	Dec. 12	7,011,000	6,712,000	6,744,000	7,761,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 12	174,706,000	174,305,000	169,309,000	188,845,000
Kerosene (bbls.) at	Dec. 12	29,647,000	31,009,000	32,220,000	29,904,000
Distillate fuel oil (bbls.) at	Dec. 12	148,087,000	155,826,000	164,330,000	159,275,000
Residual fuel oil (bbls.) at	Dec. 12	62,816,000	65,137,000	67,251,000	59,034,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 13	588,847	594,476	643,795	603,140
Revenue freight received from connections (no. of cars)	Dec. 13	532,274	514,560	554,425	555,263
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 18	$291,813,000	$353,298,000	$243,008,000	$265,614,000
Private construction	Dec. 18	109,497,000	170,871,000	119,612,000	97,323,000
Public construction	Dec. 18	182,316,000	182,427,000	123,396,000	168,291,000
State and municipal	Dec. 18	125,759,000	139,233,000	108,890,000	145,675,000
Federal	Dec. 18	56,557,000	43,194,000	14,506,000	22,616,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 13	8,960,000	*8,765,000	8,510,000	9,171,000
Pennsylvania anthracite (tons)	Dec. 13	507,000	460,000	405,000	481,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 13	293	*244	157	285
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 20	13,534,000	13,450,000	12,579,000	12,412,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 18	251	267	260	276
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 16	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Dec. 16	$66.41	$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Dec. 16	$39.83	$39.83	$41.17	$32.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 17	28.600c	28.550c	28.775c	26.450c
Export refinery at	Dec. 17	26.575c	26.525c	29.225c	22.950c
Lead (New York) at	Dec. 17	13.000c	13.000c	13.000c	13.000c
Lead (St. Louis) at	Dec. 17	12.800c	12.800c	12.800c	12.800c
‡Zinc (delivered) at	Dec. 17	12.000c	12.000c	12.000c	10.500c
Zinc (East St. Louis) at	Dec. 17	11.500c	11.500c	11.500c	10.000c
Aluminum (primary pig, 99%) at	Dec. 17	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Dec. 17	98.875c	99.125c	99.125c	93.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 23	86.34	87.00	88.36	92.61
Average corporate	Dec. 23	90.34	90.63	90.48	92.50
Aaa	Dec. 23	94.71	95.16	94.86	100.3
Aa	Dec. 23	93.38	93.52	93.08	96.23
A	Dec. 23	89.78	89.92	90.20	92.79
Baa	Dec. 23	84.04	84.30	84.17	82.27
Railroad Group	Dec. 23	88.40	88.67	87.99	88.95
Public Utilities Group	Dec. 23	90.20	90.48	90.63	93.23
Industrials Group	Dec. 23	92.35	92.64	92.79	95.62
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 23	3.79	3.71	3.57	3.13
Average corporate	Dec. 23	4.39	4.37	4.38	4.24
Aaa	Dec. 23	4.09	4.06	4.08	3.73
Aa	Dec. 23	4.18	4.17	4.20	3.99
A	Dec. 23	4.43	4.42	4.40	4.22
Baa	Dec. 23	4.86	4.84	4.85	5.00
Railroad Group	Dec. 23	4.53	4.51	4.56	4.49
Public Utilities Group	Dec. 23	4.40	4.38	4.37	4.19
Industrials Group	Dec. 23	4.25	4.23	4.22	4.03
MOODY'S COMMODITY INDEX	Dec. 23	392.2	390.6	395.9	394.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 13	275,370	344,015	284,288	254,413
Production (tons)	Dec. 13	309,537	277,282	313,809	288,876
Percentage of activity	Dec. 13	94	84	94	92
Unfilled orders (tons) at end of period	Dec. 13	403,401	438,091	431,670	368,256
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 19	110.73	110.61	109.69	108.22
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 29	2,628,030	2,802,270	3,037,450	1,914,260
Short sales	Nov. 29	494,280	582,460	606,520	453,550
Other sales	Nov. 29	2,130,730	2,248,140	2,346,070	1,510,300
Total sales	Nov. 29	2,625,010	2,830,600	2,952,590	1,963,850
Other transactions initiated on the floor—					
Total purchases	Nov. 29	572,060	612,100	784,030	403,500
Short sales	Nov. 29	45,400	53,700	121,900	95,800
Other sales	Nov. 29	539,970	621,810	725,710	426,100
Total sales	Nov. 29	585,370	675,510	847,610	521,900
Other transactions initiated off the floor—					
Total purchases	Nov. 29	785,110	958,335	1,073,690	615,952
Short sales	Nov. 29	134,410	149,100	154,700	160,510
Other sales	Nov. 29	806,721	1,016,092	956,420	575,605
Total sales	Nov. 29	941,131	1,165,192	1,111,120	736,115
Total round-lot transactions for account of members—					
Total purchases	Nov. 29	3,985,200	4,372,705	4,895,170	2,933,712
Short sales	Nov. 29	674,090	785,260	883,120	709,860
Other sales	Nov. 29	3,477,421	3,886,042	4,028,200	2,512,005
Total sales	Nov. 29	4,151,511	4,671,302	4,911,320	3,221,865
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Nov. 29	1,517,923	1,900,583	1,686,273	1,257,516
Dollar value	Nov. 29	$72,439,196	$88,492,604	$76,733,823	$52,552,703
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 29	1,526,476	1,892,415	1,720,369	1,045,486
Customers' short sales	Nov. 29	11,152	9,669	12,550	20,056
Customers' other sales	Nov. 29	1,515,324	1,882,746	1,707,819	1,025,430
Dollar value	Nov. 29	$71,988,519	$89,780,578	$77,508,344	$43,101,315
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 29	508,010	598,270	562,320	297,490
Short sales	Nov. 29				
Other sales	Nov. 29	508,010	598,270	562,320	297,490
Round-lot purchases by dealers—					
Number of shares	Nov. 29	404,740	582,920	532,170	480,370
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Nov. 29	873,990	947,950	1,150,030	1,018,030
Other sales	Nov. 29	17,090,470	20,989,220	20,617,120	13,036,520
Total sales	Nov. 29	17,964,460	21,937,170	21,767,150	14,054,550
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 16	119.1	119.0	119.1	118.2
Farm products	Dec. 16	90.7	*90.1	91.8	92.8
Processed foods	Dec. 16	108.8	*108.7	108.8	107.3
Meats	Dec. 16	102.0	*102.1	102.4	95.0
All commodities other than farm and foods	Dec. 16	127.1	127.0	126.8	125.8

*Revised figure. †Includes 915,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of October:			
New England	$29,256,060	$27,526,300	$26,294,519
Middle Atlantic	112,204,717	109,842,861	87,060,337
South Atlantic	67,296,018	42,192,498	38,131,333
East Central	131,819,353	104,068,383	109,686,291
South Central	91,348,363	115,980,207	86,297,437
West Central	50,505,547	44,101,927	41,128,655
Mountain	31,685,204	23,985,481	16,351,496
Pacific	118,745,155	117,683,636	96,376,945
Total United States	$632,860,417	$585,381,293	$501,327,013
New York City	72,525,390	53,445,172	34,983,647
Outside New York City	560,335,027	531,936,121	466,343,366
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of November (000's omitted):			
Total U. S. construction	$1,111,808	$1,621,272	$1,231,900
Private construction	430,267	613,073	564,899
Public construction	681,541	1,008,199	667,001
State and municipal	575,613	823,177	560,310
Federal	105,923	185,022	106,691
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Oct. 31:			
Total consumer credit	$43,164	*$43,144	*$43,162
Instalment credit	33,052	*33,079	*33,484
Automobile	14,164	*14,332	*15,505
Other consumer goods	8,411	*8,312	*8,229
Repairs and modernization loans	2,128	*2,107	*2,078
Personal loans	8,349	*8,328	*7,672
Noninstalment credit	10,112	*10,065	*9,678
Single payment loans	3,414	*3,495	*3,275
Charge accounts	4,191	*4,033	*4,044
Service credit	2,507	*2,537	*2,359
COTTON GINNING (DEPT. OF COMMERCE):			
To Nov. 30 (running bales)	10,216,257		8,031,951
COTTON AND LINTERS — DEPARTMENT OF COMMERCE—RUNNING BALES:			
Consumed month of October	833,366	647,894	819,965
In consuming establishment as of Nov. 1	1,343,141	1,415,025	1,286,468
In public storage as of Nov. 1	10,269,041	7,284,540	10,817,483
Linters—Consumed month of October	104,211	88,004	107,833
Stocks Nov. 1	777,239	677,695	787,270
Cotton spindles active as of Nov. 1	17,650,000	17,641,000	18,130,000
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—1958 crop as of Dec. 1:			
Production 500-lb. gross bales	11,581,000	11,764,000	10,963,680
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of November:			
Weekly earnings—			
All manufacturing	$86.58	*$84.96	$82.92
Durable goods	94.13	*91.60	88.93
Nondurable goods	77.03	*76.04	74.11
Hours—			
All manufacturing	39.9	*39.7	39.3
Durable goods	40.4	*40.0	39.7
Nondurable goods	39.3	*39.3	38.8
Hourly earnings—			
All manufacturing	$2.17	*$2.14	$2.11
Durable goods	2.33	2.29	2.24
Nondurable goods	1.96	1.95	1.91
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of September:			
Death benefits	$233,100,000	$222,600,000	$202,400,000
Matured endowments	57,400,000	50,900,000	53,000,000
Disability payments	10,400,000	9,700,000	9,100,000
Annuity payments	47,600,000	48,500,000	42,600,000
Surrender values	119,000,000	108,300,000	92,500,000
Policy dividends	110,300,000	97,000,000	97,300,000
Total	$577,800,000	$537,000,000	$496,900,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of Sept. (000,000's omitted):			
Ordinary	$3,833	$3,669	$3,009
Industrial	557	548	555
Group	666	889	685
Total	$5,056	$5,086	$4,689
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Nov.:			
Industrials (125)	3.34	3.45	4.36
Railroads (25)	4.61	4.80	7.71
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.05	4.11	5.04
Banks (15)	4.09	4.14	4.84
Insurance (10)	2.68	2.75	3.66
Average (200)	3.54	3.64	4.58
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of August:			
Net railway operating income	$91,798,958	$51,638,493	$96,434,688
Other income	23,030,237	19,877,415	22,969,914
Total income	114,829,195	71,515,908	119,404,602
Miscellaneous deductions from income	4,247,381	4,848,346	4,560,549
Income available for fixed charges	110,581,814	66,667,562	114,844,053
Income after fixed charges	78,743,852	35,056,184	83,871,484
Other deductions	4,242,434	4,142,596	4,175,089
Net income	74,501,418	30,913,588	79,696,395
Depreciation (way & structure & equipment)	50,477,428	50,295,896	49,119,590
Federal income taxes	26,750,792	14,708,954	44,705,323
Dividend appropriations:			
On common stock	32,167,728	13,045,485	27,871,412
On preferred stock	4,514,676	778,976	4,652,167
Ratio of income to fixed charges	3.47	2.11	3.71
U. S. GOVT. STATUTORY DEBT LIMITATION —As of Nov. 28 (000's omitted):			
Total face amount that may be outstanding at any time	$288,000,000	$288,000,000	$275,000,000
Outstanding—			
Total gross public debt	283,059,927	280,211,456	274,746,849
Guaranteed obligations not owned by the Treasury	107,105	111,943	103,584
Total gross public debt and guaranteed obligations	$283,167,033	$280,323,400	$274,850,434
Deduct—other outstanding public debt obligations not subject to debt limitation	425,588	426,090	439,211
Grand total outstanding	$282,741,444	$279,897,309	$274,411,223
Balance face amount of obligations, issuable under above authority	5,258,555	8,102,690	588,776
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Nov. 28	$283,167,033	$280,323,400	$274,850,434
General funds balance	6,524,998	4,534,264	4,864,855
Net debt	$276,642,035	$275,789,136	$269,985,579
Computed annual rate	2.679%	2.647%	2.893%

Mutual Funds

By ROBERT R. RICH

Strength of Retail Trade Big Factor in Curbing Recession

"Sustained strength of retail trade" was a primary reason for the briefness of the 1957-58 recession, states the current issue of "Perspective." Other factors were the decline of inventory liquidation and a rise in Government expenditures.

The factors behind retail trade strength included such elements as a high level of disposable personal income, some decline in savings and a flattening out in the long rise of the cost of services, the publication adds.

"However, a strong case can be made for the thesis that the most important of all influences has been the behavior of King Consumer who maintained a high level of retail purchases," "Perspective" states.

"Perspective" is published by the Investment Management Department of Calvin Bullock, Ltd., manager of mutual funds with assets in excess of $500,000,000.

The publication notes that, "the latest figures on retail trade are encouraging" despite some negative aspects in the prevailing picture, particularly the fact that durable retail sales continue to lag.

Atomic Fd. Assets Reach New Peak

Atomic Fund President, Newton I. Steers, Jr. has disclosed in the fund's "Atomic Letter" that on Dec. 11, 1958 Atomic Fund's net assets totaled $60,157,000, a new all-time high.

Atomic Fund was first publicly offered on Dec. 14, 1953 at a price (adjusted for the 3-for-1 split in 1957) of $3.60. Offering price on Dec. 11, 1958 was $5.94. Capital gains paid during 1955, 1956 and 1957 totaled 36c per share. The funds' management has recently indicated that an additional capital gains distribution will be made in the forepart of 1959.

The "Atomic Letter" also lists the three current projects for nuclear propulsion of rockets and earth satelites and shows some of the principal contractors engaged thereon. Also commented on in the letter are Tracerlab, Inc. and Combustion Engineering, among the fund's portfolio companies.

Keystone Fund's Year-End Paym'ts

Keystone Low-Priced Bond Fund B-3 and Keystone Lower-Priced Common Stock Fund S-4 have declared semi-annual regular distributions from net investment income of 45 cents and 8 cents respectively. Both distributions are payable to shareholders of record at the close of business on Dec. 31. Total payments for 12 months in B-3 are 91 cents, the largest since 1954 on an actual basis and the largest in the fund's history when adjusted for capital gains distributions. For S-4, this is the third semi-annual payment of 8 cents. Since Jan. 1, net asset value per share of this growth fund has increased 73%, from $6.49 to $11.22 per share on Dec. 15.

FIC Contractual Plan Sales Set New Record in Nov.

Business written in FIC contractual and single payment plans for the accumulation of mutual fund shares totaled $17,187,156 for November, 1958, it was announced by Rowland A. Robbins, Chairman of the Board of First Investors Corporation. This represents a $1-million gain over October business of $16,179,978, and is an all-time high in FIC's 28 years in investment sales.

In November, 1957, sales amounted to $11,918,888.

First Investors now has 20 branch offices in the metropolitan area and in Washington, Boston, Buffalo and Syracuse, with distributors located in other key cities. More than 2,000 registered representatives offer FIC's 10-year plans for the accumulation of shares of Wellington Fund, Mutual Investment Fund, and Fundamental Investors' Fund, giving planholders a choice of a balanced fund, a fully-managed fund, or a common-stock fund. The plans can be purchased with optional reducing term group life insurance protection. First Investors Corporation offers the investor, at all income levels, a means of long-term investment according to his objectives, through monthly payments of fixed amount, ranging from $10 a month to more than $1,000 a month.

Mutual Fund Assets Rise to $12.69 Billion

Assets of the 149 open-end member companies of the National Association of Investment Companies were $12,699,630,000 on Nov. 30, the Association announced. On Oct. 31 they were $12,218,441,000 and a year ago, on Nov. 30, 1957, they totaled $8,928,892,000.

Share purchases by investors during November came to $159,829,000, the announcement said. This compares with $170,563,000 for the previous month and $100,291,000 for November, 1957. Redemptions of shares by investors for the month totaled $54,690,000 compared with $61,270,000 for October and $28,017,000 for November a year ago.

The number of new accumulation plans opened in November for the regular monthly or quarterly acquisition of mutual fund shares totaled 23,215. In October 22,735 such plans were started and in November, 1957, investors opened 17,663 accumulation plans.

Affiliated Reports $131 Million Assets Gain in Fiscal Year

Affiliated Fund, Inc., among the largest of all investment companies, reports for its fiscal year ended Oct. 31, 1958, net assets of $477,785,334, equivalent to $6.94 per share on 68,816,582 shares. This represents an increase of $131,337,988 in net assets, and 31% in value of its shares.

Net income for the year was $14,865,357, or 23 cents a share. Net realized profits from sales of securities of $16,257,104 which are included in the 31% increase in value referred to above will be distributed in the form of a 24 cent capital gains distribution on Dec. 17. Number of shareholders increased by 7,736 and the number of participants in the Periodic Investment Program by 4,640.

Diversification of assets as of Oct. 31, 1958, shows 87.65% in common stocks and 12.35% in cash, U. S. Treasury notes, corporate short-term notes and receivables.

Common stocks of each of the following industries represented 5% or more of total assets: banking 6.98%; chemical and drug 8.43%; container and packaging 5.78%; electric light and power 9.45%; natural gas 5.76%; oil 8.43%; store 6.07%; tobacco 5.36%.

In regard to growth in size H. I. Prankard 2nd, President, states: "Many benefits have accrued to our shareholders as a result of this growth. Most important of these benefits, I believe, has been the ability of both the company and our management organization to attract and hold able and experienced men and to widen our contacts and open new avenues of access to information.

"Growth in size also has enabled us to make substantial reductions in the ratio of our operating expenses to net assets. In the year just ended, our operating expenses amounted to only forty-six one hundredth of one per cent of our average net assets, or 46 cents for each $100 of such assets. In 1938 the comparable figure was $2.00. At the current rate a shareholder with a $10,000 investment finds that his total expenses for a year (fees for management, custodian, dividend disbursing agents, transfer agents, etc.) amount to only $46—less than many people pay for their newspapers."

Issues added to or eliminated from the portfolio in the year ended Oct. 31, 1958, were:

Additions: Allied Chemical Corporation; American Telephone & Telegraph Company; Chemetron Corporation; Chrysler Corporation; Fibreboard Paper Products Corporation; Ford Motor Company; General America Corporation; General Motors Corporation; Gulf Oil Corporation; Halliburton Oil Well Cementing Company; H. J. Heinz Co.; International Telephone & Telegraph Corporation; McGraw-Hill Publishing Co., Inc.; Monsanto Chemical Company; Outboard Marine Corporation; Reliance Electric & Engineering Company; Remington Arms Company, Inc.

Eliminations: American Natural Gas Company; Consolidated Natural Gas Company; General Foods Corporation; International Shoe Company; P. Lorillard Company; Marathon Corporation; New England Electric System; New York State Electric & Gas Corporation; Northern Natural Gas Company; Pfizer (Chas.) Company; Westinghouse Electric Corporation.

New High in Profits And Dividends Forecast for 1959

Corporate dividends and per-share profits will break all existing records next year, according to a memorandum on the stock market outlook released to sales representatives of Managed Funds, Inc.

Prepared by Slayton Associates, investment counselors to the $69 million mutual fund group, the memorandum listed several other factors to support its contention that now is a good time to accumulate long-term equity investments.

Although the industrial averages are at record highs, almost 90% of all securities listed on the New York Stock Exchange are selling below their historic peaks, many of good quality with "excellent long-term growth potential."

Favorable opportunities still exist to purchase shares in companies which are pacing the economic recovery and will lead "the dynamic surge" ahead.

Earnings, after taxes, for many stocks, at the end of the first quarter of 1959, will be substantially higher than the first quarter of this year.

Some corporate earnings should be more than 100% higher.

Business activity should continue to rise at least into 1960.

"However, recovery in business is not the only reason for projecting higher stock prices over the long term," Slayton Associates continued. "It is of great significance that the past recession actually was accompanied by further price inflation, and astute investors have been buying common stocks as hedge against it.

"Continuing inflation is, and will continue to be, a powerful stimulus to common stock prices."

The report also cited as a favorable market factor "the tremendous technological advances" and billions of dollars spent by industry on new and efficient plant and equipment.

"This has caused productivity to increase rapidly during a period of vigorous recovery," it said, "and, therefore, corporate profits will benefit substantially from a combination of higher sales with lower unit costs."

According to Slayton Associates, the coming years will witness an acceleration in new products and major improvements in existing ones. With a 7-year time lag from initial research on a new product until mass production is achieved, the full benefit of current record research outlays will just begin to be felt in the next few years and translated into higher sales and profits for many corporations.

"We fully expect, therefore, that development and introduction of new products will be a growing stimulus to equity prices," the Slayton report stated.

Auto Industry Likely to Broaden Business Recovery

A good chance that automobile production will be high enough during the winter and spring to be an important factor in extending the general business recovery is foreseen by Emerson W. Axe, President of Axe-Houghton Fund B, in his annual letter to the Fund's shareholders.

"Thus far," he says, "the recovery has proceeded with little help from the automobile industry. But dealers' stocks are reported to be low, strikes have delayed the production of new models and the national income has reached a new high record, according to Government estimates."

Mr. Axe looks for a recovery in the demand for automobiles and other consumers' durable goods which will largely determine "how much further the recovery is likely to go."

He reports that manufacturers' inventories have been declining and that in some industries "any interruption in the supply of raw materials causes a rush to buy and an advance in prices." He finds such a situation "has developed with respect to copper" and also—with less pronounced upturns in demand—in some branches of the textile industry.

He fears recent advances in interest rates may discourage further expansion in new construction, though "residential construction has shown substantial recovery."

Mr. Axe's letter is part of the annual report of Axe-Houghton Fund B, which shows total net assets of $100,382,982 for the Fund at the end of the fiscal year on Oct. 31. During the year, the net asset value of the Fund's shares rose from $6.72 to $7.87—a growth of 21.4%, including a distribution to shareholders of 29 cents a share from security profits. Income dividends amounted to 27 cents a share.

Ebasco Assets, Share Value at Peak

Asset value of Electric Bond and Share Company's common stock at Sept. 30, 1958 was $177,478,000, or $33.80 a share, the highest at any reporting date since comparable figures have been available, according to the company's third quarter report.

George G. Walker, President, states that this is an increase of $28,916,600, or 19%, over asset value at the 1957 year end, and 9% over asset value at Sept. 30, 1957. The value of the company's marketable securities acquired since April, 1954, when the investment program began, showed an appreciation at Sept. 30, 1958, of $9,412,300, an increase of 38% over cost, the report shows.

Net income for the nine months ended Sept. 30 was $5,691,836, or $1.08 a share, compared with $5,808,059, or $1.11 a share, for the corresponding period of 1957. A quarterly cash dividend of 35 cents a share was paid on Sept. 29 to holders of record Sept. 8.

On Oct. 22 Bond and Share sold 180,000 shares of American & Foreign Power Company Inc. common stock for $17 a share, less expenses, the report states. The company earlier this year purchased 172,000 shares at an average price of $12.60 to restore its position following a similar sale in the fall of 1957.

In reporting on its subsidiary, Ebasco Services Incorporated, the company states that it is associated with International General Electric Company in a 150,000 kw nuclear power plant project in Italy for Societa Elettronucleare Nazionale (SENN). Ebasco is to supply IGE extensive technical

services involved in design and construction of the project.

The company reported that Chemical Construction Corporation, despite a decline in capital expenditures throughout the chemical process industries during most of 1958, received orders for major projects for the production of ammonia, urea, sulfuric acid and hydrogen. Chemico is designing and constructing three of the four ammonia plants being built in the U. S. at this time. The first commercial installation to utilize the Chemico urea process in the U. S. was brought on stream in October at the Monsanto Chemical Company plant at El Dorado, Ark. Previously, all Chemico-designed urea plants were constructed overseas. When urea plants presently under construction by or under contract to Chemico are put into operation, the Chemico urea process will account for a greater percentage of the world's total urea production than any other commercially available process.

Electric energy sales by subsidiaries of American & Foreign Power Company in the first half of 1958 rose 8%. In the U. S., energy sales of the electric utility industry in the corresponding period showed an increase of 0.4% over the previous year.

Foreign Power's Cuban subsidiary in September sold 297,000 shares of common stock for $6,460,000, less expenses, to a limited number of private investors in the United States. Foreign Power purchased an additional 53,000 shares of this issue. This is a significant transaction because it marks the first time an operating subsidiary of Foreign Power has raised equity capital from U. S. investors.

Lehman Declares Year-End Dividend

Dividends totaling $12,358,000 were declared by the board of directors of The Lehman Corporation. The distribution will consist of a capital gain dividend of $1.09 per share and an ordinary dividend of 15½ cents per share, both payable Jan. 28, 1959 to stockholders of record Dec. 29, 1958.

Robert Lehman, President, and Monroe C. Gutman, chairman of the executive committee, announced that stockholders will be offered the option of receiving the capital gain dividend either in additional stock, taken at its asset value on Jan. 6, 1959, or in cash. This is the same manner in which the capital gain dividend was paid last year at this time and gives stockholders the opportunity to reinvest such dividends in the stock of the corporation at net asset value. The ordinary dividend will be paid in cash.

Peoples Securities Corp. Assets Rise

The board of directors of Peoples Securities Corp., a diversified common stock mutual fund, has declared a quarterly distribution of $.27½ per share, consisting of $.04 per share from net investment income and $.24½ per share from net securities profits. This distribution is payable Jan. 2, 1959 to shareholders of record Dec. 16, 1958 and marks the fund's 24th consecutive quarterly distribution.

Abraham S. Karasick, President, has announced that total net assets as of Dec. 1, 1958 were $1,834,504, as compared with $1,133,119 on June 30, 1958 and $865,974 on Sept. 30, 1957. Mr. Karasick also announced that the net asset value per share as of Dec. 1, 1958 was $14.62 as compared with $12.20 on June 30, 1958 and $11.88 on Sept. 30, 1957, increases of 21½% and 30% respectively after adjusting for capital gains distributions.

Mutual Fund Shrs. Outperform Mkt.

Last month's stock market dip affected the average per-share asset values of mutual funds "far less" than it did the common stock averages according to a study prepared for release Dec. 15 by Investors Planning Corp. of America.

Compiled by I. P. C. research director Walter Losk, the report compared mutual fund performance, adjusted for distributions, with both the Dow Jones Industrials and the Standard & Poors 500 Stock Averages, using three pivotal dates:

Nov. 17—when the Dow-Jones Average hit its all-time peak; Nov. 25 — when it suffered its sharpest one-day decline in three years; and Dec. 1—when it closed the highest since the Nov. 25 drop-off.

Based on the 139 mutual funds whose per-share values are most regularly listed in the nation's press, the I. P. C. compilation disclosed an average asset-value drop of only 2.84% from Nov. 17 through Nov. 25 and less than .07% from Nov. 17 through Dec. 1.

From Nov. 17 through Nov. 25, the Dow-Jones averages declined 4.74% and the Standard & Poors Average 4.17%. From Nov. 17 through Dec. 1, the declines amounted to 1.30% and 1.03% respectively.

The I. P. C. study used 63 common stock funds, 30 balanced funds, 29 specialty funds, 10 income funds and 7 Canadian funds for its comparisons.

Mr. Losk reported that, as expected, the per-share values of the balanced funds (whose common stock position is usually less than 75%) experienced the smallest average decline from Nov. 17 through Nov. 25—2.02%—followed by income funds, with a 2.26% average drop.

From Nov. 17 through Dec. 1, the income funds (invested mainly in high-yield common stocks) and the specialty funds (invested generally in common stocks of a specific industry) actually produced rises in average net asset value per share of .25% and .08% respectively.

During the Nov. 17-Dec. 1 period, none of the common stock funds represented in the compilation sustained a percentage decline as great as that of the Dow Jones Industrials, with only four falling further than the Standard & Poors Average.

Commenting on the study, I. P. C. President Walter Benedick stressed that its preparation was not intended to reflect the superiority of one type of mutual fund over another or of mutual funds in general over direct investing in securities.

"Such comparisons," he said, "only have validity when they take into consideration each individual investor, his current financial circumstances and future financial goals.

"But I think our study does suggest the characteristics of diversification and full-time professional management built into the mutual fund principle of investing. And it does give a clue to why funds have met with such increasingly widespread acceptance in recent years."

"News Letter" Is Fund's Answer to N. Y. Paper Strike

Guardian Mutual Fund, Inc., a mutual investment fund with headquarters in New York City, mailed a special letter to its shareholders advising them that the net asset value of their shares had risen to $19.04 as of Dec. 19, an increase of $1.45 since the end of the fiscal year on Oct. 31.

"Because of the stoppage of newspaper deliveries in the New York area," Roy R. Neuberger, President, stated, "we felt that the stockholders of Guardian Mutual Fund would be interested in knowing the current value of their shares."

Commenting on the relatively sharp increase in value, Mr. Neuberger said "a good part of this rise is attributable to the advance within the past few days of over 10% in the market price of American Telephone & Telegraph Company stock, of which the Fund now holds 5,500 shares." This is equivalent on a market value basis to 17.6% of total assets.

The sharp run-up in AT&T followed action of directors in recommending a three-for-one split and an increase in the dividend rate of $9 to $9.90 per share.

In the Fund's last annual report issued in November, stockholders were informed that for the first time since inception of the Fund the management had decided to avail itself of the right to have any amount up to 25% of total assets invested in the securities of one issuer. Initially, management committed for 5,000 shares, later adding another 500.

The Fund's total net assets on Dec. 19 were $6,676,618, compared with $5,892,348 at the close of the last fiscal year. Outstanding shares have increased from 334,936 to 350,602.

Eberstadt as Advisors

F. Eberstadt & Co. has acted as negotiators and financial advisors to the stockholders of Gary Slag Corp., all of the stock of which has been acquired by Vulcan Materials Co., according to an announcement made on Dec. 22.

DIVIDEND NOTICE

PACIFIC POWER & LIGHT COMPANY

Dividend Notice

Quarterly dividends of $1.25 per share on the 5% preferred stock, $1.13 per share on the 4.52% serial preferred stock, $1.54 per share on the 6.16% serial preferred stock, $1.41 per share on the 5.64% serial preferred stock, and 40 cents per share on the common stock of Pacific Power & Light Company have been declared for payment January 10, 1959, to stockholders of record at the close of business December 31, 1958.

PORTLAND, OREGON
December 19, 1958

H. W. Millay, *Secretary*

H. C. Wainwright Co. To Admit E. F. Proctor

BOSTON, Mass.—H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges, on Jan. 2 will admit Eugene F. Proctor to partnership.

New Partner for Cyrus J. Lawrence Sons

Cyrus J. Lawrence & Sons, 115 Broadway, New York City, members of the New York Stock Exchange, on Jan. 2 will admit Joseph A. Beisler to partnership in the firm.

DIVIDEND NOTICES

FEDERAL

FEDERAL PAPER BOARD CO., Inc.

Common & Preferred Dividends:

The Board of Directors of Federal Paper Board Company, Inc. has this day, declared the following quarterly dividends:

50¢ per share on Common Stock.
28¾¢ per share on the 4.6% Cumulative Preferred Stock.

Common Stock dividends are payable January 15, 1959 to stockholders of record at the close of business December 29, 1958.

Dividends on the 4.6% Cumulative $25 par value Preferred Stock are payable March 15, 1959 to stockholders of record February 26, 1959.

ROBERT A. WALLACE
Vice President and Secretary

December 16, 1958
Bogota, New Jersey

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 209

A quarterly dividend of $.60 per share on the Common Stock has been declared, payable January 23, 1959, to stockholders of record at the close of business on January 2, 1959.

Checks will be mailed.

H. R. FARDWELL, *Treasurer*
New York, December 17, 1958.

CONSUMERS

DIVIDEND NO. 184 ON COMMON STOCK

The Board of Directors of Consumers Power Company has authorized the payment of a dividend of 60 cents per share on the outstanding Common Stock, payable February 20, 1959 to share owners of record January 23, 1959.

DIVIDEND ON PREFERRED STOCK

The Board of Directors also has authorized the payment of a quarterly dividend on the Preferred Stock as follows, payable April 1, 1959 to share owners of record March 6, 1959.

CLASS	PER SHARE
$4.50	$1.12½
$4.52	$1.13
$4.16	$1.04

CONSUMERS POWER COMPANY
JACKSON, MICHIGAN

Serving Outstate Michigan

Now With Pitser Co.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—E. L. White is affiliated with Pitser & Company, 615 Hillsboro Street.

DIVIDEND NOTICES

CITY INVESTING COMPANY

25 Broad Street, New York, N. Y.

The Board of Directors of this company on December 17, 1958, declared a dividend of 20 cents per share on the outstanding Common Stock of the company, payable February 2, 1959, to stockholders of record at the close of business on January 12, 1959.

JOHN A. KENNEDY,
Vice-President and Secretary

WOODALL INDUSTRIES INC.

The regular quarterly dividend of 30¢ per share on the Common Stock has been declared payable January 15, 1959, to stockholders of record December 31, 1958.

M. E. GRIFFIN,
Secretary-Treasurer

Pacific Gas and Electric Company

DIVIDEND NOTICE
COMMON STOCK
DIVIDEND NO. 172

The Board of Directors on December 17, 1958, declared a cash dividend for the fourth quarter of the year of 65 cents per share upon the Company's common capital stock. This dividend will be paid by check on January 15, 1959, to common stockholders of record at the close of business on Dec. 26, 1958.

K. C. CHRISTENSEN,
Vice President and Treasurer
San Francisco, Calif.

P·G·and E·

Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

COMMON STOCK
Dividend No. 196
65 cents per share;

PREFERENCE STOCK,
4.48% CONVERTIBLE SERIES
Dividend No. 47
28 cents per share;

PREFERENCE STOCK,
4.56% CONVERTIBLE SERIES
Dividend No. 43
28½ cents per share.

The above dividends are payable January 31, 1959 to stockholders of record January 5. *Checks will be mailed from the Company's office in Los Angeles, January 30.*

P. C. HALE, *Treasurer*

December 18, 1958

Edison

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The financial bomb shell that directors of the American Telephone and Telegraph dropped with the proposal to split the utility stock three-for-one, may have been welcome news to nearly all of the approximately 1,625,000 stockholders, but it was "bad news" for official Washington.

At the Treasury Department the proposed stock split and dividend increase proposal was as welcome as a snowstorm by winter residents in Southern Florida. The Treasury is faced with a tremendous deficit, and the task of raising colossal sums of new money in the New Year.

The proposal of the AT&T directors, who are obligated to look out for the welfare of the world's largest privately owned utility, probably means that the Treasury will have to pay fractionally higher interest rates in January and early next year. Why? Because many people with money to invest prefer to get a greater return on their money than the more secure long-range government bonds now provide. Therefore, AT&T's proposal puts the spotlight on stocks in companies that have a chance for growth and increased dividends in the future. As a result, a large segment of the investment community are less interested in fixed-interest Government bonds, be they E or H bonds, Treasury bonds or notes.

Some of the Government's fiscal experts are saying privately that the AT&T proposal was not sound. Unfortunately, official Washington has a tendency of wanting everybody to "hold the line," but the big, ever-growing Federal Government.

More, Not Less Taxes

A series of news developments in Washington recently are of importance economically. For one thing it appears that President Eisenhower's budget which he will send to Congress in about three weeks will total in the neighborhood of $79 billion.

Mr. Eisenhower talked the situation over with Republican leaders the other day, and told them he did not see how the budget recommendations could be trimmed very much. It seems that just about every agency in the government feels that the country will suffer a great deal unless the particular agency gets more funds.

It appears that the taxpayers of the country, instead of getting a break, may have to put out more taxes. The new Secretary of Commerce, Lewis L. Strauss, is recommending that the Federal gasoline tax be raised from 3 cents a gallon to 4 or 4½ cents. Postmaster General Arthur E. Summerfield is recommending that the postage rate on letters be increased from 4 cents to 5 cents.

More Public Power?

The Atomic Energy Commission, which is awfully anxious to expand its activities, got a blow the other day when the Westinghouse Electric Corporation and the Pennsylvania Power and Light Co. announced that they decided not to go through with their plan to build a $108-million nuclear power plant. They told the Commission that they did not regard it as feasible to build the type of plant at this time.

The decision of the companies supplied new fuel for New Deal Congressmen who advocate stronger government controls, and more public power. Asserting that he was not surprised by the announcement by Pennsylvania and Westinghouse, Senator Clinton P. Anderson of New Mexico said as a national policy he believes it unwise to allow the field of advanced atomic power concepts to be "staked out as the private domain of industry." Senator Anderson wants an expanded atomic energy program, and he wants the United States Government to control it.

Federal ownership of electric power facilities continually increases. It has risen from 1.5% to more than 17% of the total industry during the last two decades. The public power advocates in the new Congress are expected to be greater than anytime in years, if not in history.

No Business Slowup

There have been speeches and published reports to the effect that the recovery has been slowed down. That's not true, according to some of the able economists in the government. The fourth quarter of 1958 has exceeded the peak of any quarter in 1957, which was a pretty good economic year.

The Gross National Product in the fourth quarter will be at the equivalent of $453 billion annual rate. It was $439 billion in the third quarter. The low quarter of the year was $426 billion in the first quarter.

Government spending is being stepped up. Because of the great and bountiful crops that have been harvested across the land, the Commodity Credit Corporation has been spending near record sums for the surplus crops.

Personal income for 1958 dropped only 1½%. There has been a decline in production, but this was offset primarily by unemployment compensation, old age pensions and consumer spending. When a man is out of work, he does not spend for big items, but for little items. There is still some unemployment, of course.

Some of the experts feel that there has been a little trend by many companies to give their good established employees overtime opportunities rather than bring in temporary employees. Where production has been stepped up, employers are giving these employees a chance to earn overtime money.

"We have had a very sharp recovery without the uplift of plant and equipment," said one official at the Department of Commerce. "One of the oddities has been that prices increased during the recession, but they have levelled off since the recovery. Corporation profits have shot up at a marked pace."

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

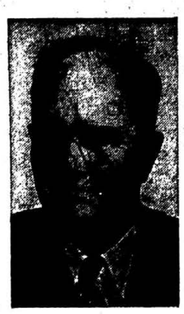
BUSINESS BUZZ

"I'm a bit suspicious of that Stock Broker. He wants to rent a Boiler Room!"

Bullis Resigns as General Mills Chrm.

Will devote bulk of time to furthering objectives of International Development Advisory Board, of which he is Chairman.

On Dec. 22, at a meeting of the Board of Directors, Harry A. Bullis submitted his resignation as Chairman of the Board of General Mills, effective Jan. 1, 1959. Although the normal retirement age in the company is 65, Mr. Bullis acceded to the request of the Board of Directors and continued as Chairman for three years beyond the normal retirement date.



Harry A. Bullis

Approximately a year ago he informed the members of the Board of his intention to submit his resignation at the close of 1958. Mr. Bullis will continue as a member of the Board and of the Executive Committee.

Mr. Bullis stated that he is looking forward enthusiastically to devoting a large part of his time to the furtherance of the International Development Advisory Board, of which he was appointed Chairman recently by President Eisenhower. "I believe," he said, "there is nothing of more immediate importance than the protection of our national security in international trade, technical assistance and economic development. Here the battle is already joined with the Soviets in a struggle which we must not lose."

COMING EVENTS

In Investment Field

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

Feb. 6, 1959 (Boston, Mass.)
Boston Securities Traders Association 35th annual dinner at the Sheraton Plaze Hotel.

Feb. 27, 1959 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual dinner at the Bellevue-Stratford Hotel.

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

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

Business Man's Bookshelf

Fifth Annual Report of the [...]dation Board for German [...] Bonds Sept. 1, 1957 t[...] Sept. 2, 1958—Validation [...] for German Dollar Bon[...] Broad St., New York 4, N[...]

Policy Against Inflation — [...] Harrod—St. Martin's Pre[...] corporated, 103 Park A[...] New York 17, N. Y. ([...] $4.75.

Production Costs Here and A[...] —National Industrial C[...]ence Board, 460 Park A[...] New York 22, N. Y. (p[...] $3.50.

St. Louis: A Great Place [...] Business — booklet desc[...] facilities in St. Louis met[...]itan area for location o[...] plants and branch offices-[...] National Bank in St. Lou[...] Louis 1, Mo. (paper).

Study in Liquidity—Impact [...]flation on Monetary Acco[...] William A. Paton, Jr.—B[...] of Business Research, Sch[...] Business Administration, [...]versity of Michigan, Ann [...] Mich. (cloth).

World's Telephones, 1958 Is[...] American Telephone & [...]graph Co., 195 Broadway [...] York 7, N. Y. (paper).