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EDITORIAL

As We See It

President's Eisenhower's unusual step in giving the public an advance peep at the overall picture to be presented in his annual budget message has served at least one good purpose. It has put the people of this country on notice of the attitudes and probable behavior of the "spenders" in Congress, and, of course, there are plenty of them there. Leon H. Keyserling, former chairman of President Truman's Council of Economic Advisors, and a facile opponent of all things sound in fiscal affairs, has described the forthcoming budget program of the President as "deflationary from the standpoint of the national economy, inflationary in its impact upon price trends, dangerous to the national defense, irresponsive to our vital public needs, disingenuous in its claims of being 'a balanced budget,' and really blind in terms of the worldwide situation."

The former Fair Deal advisor went further, adding that there is "no absolute need for a balanced budget, when there is still so much slack in our economy, and there is no possible justification for a balanced budget if it can be only at the cost of endangering our national defense and starving those programs essential to our domestic economic strength and human progress." Of course, no one would claim that Mr. Keyserling is in any sense a spokesman for the Democratic party or for any faction therein. His views are his own, doubtless, but he is an aggressive individual and a facile exponent of programs popular with the spenders in the Democratic party.

A number of members of the new Congress have made it clear enough by their own out-

Continued on page 22

Housing and Mortgage Prospects in Coming Year

By HON. ALBERT RAINS (D.-Ala.)*
Chairman, Subcommittee of Housing, Banking and Currency Committee

Top Congressional housing spokesman predicts, one, Congress will give top priority to general housing bill and two, housing construction slump may occur next spring unless averted with lower cost FHA-GI aid. Rep. Rains asserts we must encourage and add to conventional mortgage money "an ample supply of investment capital seeking outlet in FHA and GI loans." Turning to the criticism that FHA-VA rates are rigid, he explains why we will never—nor should—have complete interest rate flexibility in government insured and guaranteed mortgages, and voices opposition to an even higher interest level.

Last session saw our great joint effort to enact the Home Mortgage Guaranty Plan. The U. S. League did the original work, development, and research for the plan, and I was delighted to introduce and support it in the Congress.

Albert Rains

We made a great fight for that bill. It had been rejected 9 to 6 by the Senate Banking and Currency Committee. It was violently opposed by the Administration. It was opposed by the bankers, by the life insurance companies—by practically all other lending groups. And yet, it received a 19 to 3 favorable vote in the House Banking Committee. On the basis of that performance, I think one would have to say that if you could only have one group in your corner in a legislative fight, you would choose the U. S. League as that group. The bill was not cleared by the Rules Committee and

Continued on page 38

*An address by Mr. Rains before the United States Savings and Loan League, Kansas City, Mo., Dec. 8, 1958.

The Outlook for Credit, Interest Rates and Business

By ROY L. REIERSON*
Vice-President and Chief Economist
Bankers Trust Company, New York City

Using 1955 as a benchmark, Dr. Reierson concludes 1959 demands for bank credit financing will be decidedly larger—pushed by purchases of Government securities, cyclical business rise and concurrent wage-cost price spiral rather than commercial bank loans *per se*. The chief economist believes the net result of this will be additional pressures upon short-term interest rates in 1959 which, to some extent, were anticipated after mid-1958. He also anticipates a greater expansion in the money supply than is consistent with an effective anti-inflationary policy.

The credit markets have completed an exceptionally hectic and strenuous year. This is adequately illustrated by the extreme gyrations of interest rates over the past twelve months. In the brief period since November 1957, money rates and bond yields have moved through almost an entire swing of the cycle. From peaks not seen in a generation, rates and yields dropped steeply to recession lows, then firmed dramatically once more. Never before have our markets witnessed so sharp a swing in so short a time.

Roy L. Reierson

To the extent that the volatility of interest rates in 1958 reflected the precipitous business recession and the subsequent abrupt recovery, such drastic fluctuations in market conditions are less likely in 1959. The credit system, how-

Continued on page 26

*An address by Mr. Reierson before the American Finance Association, Chicago, Ill., Dec. 29, 1958.

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This Week's Forum Participants and Their Selections

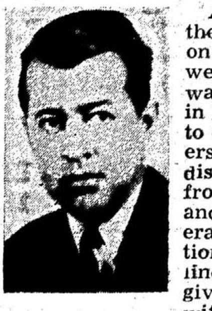
Pabst Brewing Co. — Joseph P. Crosby, Partner, Bear, Stearns & Co., New York City (Page 2)

Polymer Corporation—Benjamin F. Edwards III, A. G. Edwards & Sons, St. Louis, Mo. (Page 2)

JOSEPH P. CROSBY
Partner, Bear, Stearns & Co., New York City
Members, New York Stock Exchange

Pabst Brewing Co.

On July 30, 1958, Pabst Brewing Co. acquired the assets of Blatz Brewing Co., a step which placed Pabst in a unique position among major brewers today because (1) it is the only brewer with both a premium and a popular priced beer now sold nationally, and (2) it is the only major brewer with substantial excess capacity, meaning that sales can expand materially without having to make today's high cost investment in new plant to provide additional production.



Joseph P. Crosby

Pabst had been searching for a well-established popular priced beer and a new dynamic management. In recent years the brewing industry has experienced a trend toward popular priced beer and away from the premium beers which now account for only 20% of U. S. beer sales. Brewers are recognizing the advantages of participating in both price markets. For example, Anheuser Busch three years ago introduced a new popular priced beer in a limited market which has been only gradually extended and at an initial cost estimated between $10 and $20 per barrel in selling and promotional expenses alone. Pabst, by acquiring the nationally-known Blatz which is sold in 38 states, has avoided the difficulty and expense of developing a new popular brand, and now has a merchandising flexibility that will enable it to take much greater advantage of price, preference and regional trends as they develop.

Mr. Harris Perlstein, Chairman of Pabst, had retired from the Presidency in April, 1956. However, the company's position subsequently deteriorated to the point where he was recalled to this office in October, 1957. The Blatz acquisition provided the outstanding executive needed to take over the helm and permit Mr. Perlstein to step up to the position of Chairman. Mr. James C. Windham, the new Pabst President, has an outstanding business record, and more important, great success in the brewing business. During his tenure as President of Blatz, the company's rate of sales doubled in two years from 800,000 barrels to 1,600,000 barrels annually, while a $900,000 pre-tax loss was converted into a pre-tax profit of $3 million. Only 44 years old, Mr. Windham gives Pabst the long-range dynamic leadership which it had been seeking.

Most major brewers are producing close to capacity at a time when new capacity is extremely costly, about $25 or more per barrel, compared to Pabst's book value of about $7 per barrel. The two million barrels of efficient capacity acquired through Blatz for $17 million would probably cost $50 million to reproduce today. The consolidated company now has a total annual capacity of 7.5 million barrels distributed between California, Wisconsin, Illinois and New Jersey. This available capacity is highly important to Blatz whose sales are now close to the productive limit of its single brewery and whose continued growth is now made possible by the additional capacity afforded by Pabst. Further, the company is well situated to take advantage of the expected surge in beer consumption in the 1960s as the "war babies" reach beer drinking age.

Another important feature of the Blatz acquisition is its effect on the distribution structure. A weakened wholesale organization was undoubtedly a major factor in Pabst's decline from third place to eighth place among U. S. brewers. Pabst now have over 1,000 distributors on a combined basis, from which a stronger structure and more effective market coverage will be obtained. The addition of a popular, non-competing line by these distributors will give them a new avenue of profits with obvious benefits to themselves and to Pabst.

The consolidation of Pabst and Blatz will produce important economies in a number of areas, including:

(1) Lower unit production costs due to greater volume as sales increase and as Blatz's barrelage is added to Pabst's breweries now operating at low rates.

(2) Raw material costs, principally from capacity operation of Pabst's two malt houses and one grits mill.

(3) Overhead costs with the combination of two organizations into one.

(4) Blatz's distribution costs. Blatz beer, which heretofore has been shipped entirely from Milwaukee, can now also be produced in other Pabst locations, reducing shipping charges and permitting more effective competition with other brands.

On a pro-forma basis, in the first half of 1958, Blatz's pre-tax earnings about offset the $1.6 million loss incurred by Pabst, and it is expected that for the second half the company will approximately break even. Combined pro-forma volume for the full year will be over four million barrels. In view of the increased strength and many benefits derived from the Blatz acquisition, it is believed that sales of five million barrels can be achieved in 1959 resulting in earnings of $1.00 to $1.25 per share after taxes. The potential earnings of Pabst are much greater as the present excess capacity becomes productive and idle plant costs are eliminated. Earnings will expand much faster than sales from the level of five million barrels due to lower incremental costs and as further economies from consolidation are accomplished. The above also assumes no increase in beer prices, although it is believed that a recent price increase of 25 cents per case by three major brewers in the St. Louis area will spread industry-wide and nationally. This could have the effect of adding 50 cents to $1.00 per share to Pabst's earnings at a five million barrel volume.

Pabst's financial condition is quite strong, with ample working capital and a current ratio of 3 to 1. Cash flow of $10 million, based on the above earnings estimate, will be sufficient to cover debt payments, capital expenditures and permit a dividend payment, which appears likely by the end of 1959. Capitalization consists of $22,640,000 in funded debt and $65,000,000 in capital and surplus. There are 4,352,412 common shares outstanding with a book value per share of $14.90.

I strongly feel that as the foregoing factors are recognized and as Pabst begins to develop its new potential, it will be reflected in higher prices for the common stock and, consequently, Pabst common is an excellent investment for capital gain.

BENJAMIN F. EDWARDS, III
A. G. Edwards & Sons, St. Louis, Mo.
Members: New York Stock Exchange, American Stock Exchange, Midwest Stock Exchange and Chicago Board of Trade

Polymer Corp.

The Polymer Corporation is looking toward 1959 with a great deal of anticipation. Having undergone costly start-up charges in its new California plant and English subsidiary, as well as its usual high research expenses. Polymer expepcts almost all operating facilities to be in the black next year. Perhaps one of the most encouraging signs is the increasing interest in the fluidized bed coating process (Whirlclad) being shown by major U. S. manufacturers. Already the Santa Ana, Calif., plant has received orders for the coating of supermarket basket handles and wire baskets used in automatic dishwashers. If this segment of the company's business can (as is hoped) become a significant contributor to earnings instead of a sizable research expenditure, it should have a very marked effect on the profit picture.

The Company and Its Business

The Polymer Corporation was formed in 1946 in Reading, Pa., by Louis L. Stott in the belief that nylon, because of unique properties, held great promise as an industrial material as well as a textile. Today the company is the largest U. S. producer of nylon rod, strip, and tubing. The rapid increase in the use of semi-finished nylon products has enabled Polymer Corporation to display impressive growth in both sales and profits throughout its relatively short history.

	Sales	Per Share Earnings*
1957	$4,946 197	$.68
1956	4,480,789	.75
1955	3,588,500	.43
1954	2,544,385	.10
1953	2,425,760	.36
1952	1,733,672	.08
1951	1,580,289	.12
1950	711,323	.07
1949	315,894	.01
1948	210,904	—
1947	96,102	—
1946	38,411	—

*Adjusted for stock distributions including 3% stock dividend Jan. 10, 1958.

During this period, however, several other firms have been attracted to this fast growing industry. To combat this competition, and to take advantage of the company's fine research organization which pioneered successfully in nylon, Polymer has placed considerable emphasis on the development of specialty products which require a high degree of technical skill and laboratory control.

Products

Although a relatively high-cost material, nylon is less than half as dense as aluminum, has excel-

Continued on page 8

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The Important Role of State Taxes

By V. JUDSON WYCKOFF
Department of Economics, De Pauw University
Greencastle, Indiana

Prof. Wyckoff examines the record of state tax collections, types of taxes and some pertinent state by state tax comparisons, and the relationship between taxes and personal liberties. Notes that the total tax take for all governments in this country for 1958 was a staggering $100 billion, or $190,250 for every minute that went by, and that state tax collections in absolute dollars continued its upward trend with 1958 above 1957 by 2.6% and 8.6% above 1956. In adjusting for prices and population, however, the economist arrives at an opposite state tax picture wherein fiscal 1958 collections were about 2% less than 1957. Nevertheless, he is concerned about increasing growth of governmental activities, and shift to a higher level, and recommends that the layman interest himself in the subject to slow down growth of government functions.

It is traditional to condemn rather than praise expenditures by governments, yet if we actually were faced with a choice between government and no government, few would vote for the latter. To have no government, would mean chaos. Even in the isolated frontier family there must be recognition of authority within the group, and when others move into the area forming a settlement some form of government becomes necessary growing in functions and complexity as the community expands.

V. J. Wyckoff

The next steps are inevitable: once government then expenditures, and once expenditures then taxes (and borrowing).

It is not necessary to labor the point that government usually is multilayered. With such layers there is a strong tendency toward centralization of political authority in the higher levels especially as a country grows in population and geographic size. Naturally this shift of political dominance does not go unchallenged. In this country with our three levels of government (Federal, state, and local) we have the problems of home rule versus state paternalism, and states' rights versus Federal authority. Similar problems are found, of course, in private business as it grows: centralization in production and administration versus decentralization.

Increased Federal Prominence

One result of this gradual shift of responsibility and authority upward is the increased prominence of our Federal Government in turn bringing larger expenditures and larger tax bills. Federal levies almost necessarily touch more persons than taxes of individual states so when tax burdens are talked about Federal policies usually get the attention of the speakers. And the Federal tax bill is tremendous both in absolute size and relative to other, lower levels of government. For fiscal 1958 (the 12 months ended June 30, 1958) the Federal Government took in about $69 billion net in taxes compared with approximately $15 billion collected by the 48 states as a group and an estimated similar sum by local governments—counties, townships, cities, special districts, etc. The total tax take for all governments in this country, thus, was for 1958 a staggering $100 billion, or $190,250 every minute in every hour of every day during the 12 months of the fiscal year.

The relatively subordinate position of state and local finances creates the grave danger of having the tax bills on these lower levels of government considered not too important. Yet in our state and local governments are the grass roots of our traditional democracy. We the people are nearer to our state and local officials than to our representatives in Washington, D. C. And if control of government is to remain in our hands and not pass to a Federal bureaucracy—if such seems to be the desirable pattern—then more and sustained attention must be given, for instance, to state fiscal problems including state taxes. This is not moralizing. This is just common sense. For this reason the following condensed figures on state tax collections for fiscal 1958 recently released by the Governments Division of the Bureau of Census are important.

Condensed State Tax Collection Data

State tax collections for fiscal 1958 (most states end their fiscal years on June 30) came to approximately $14.9 billion. To save confusion in case one tries to compare this sum with other state tax totals this Census figure omits transactions connected with unemployment compensation and all other trust funds. At a later date the Governments Division of Census will come out with a report on total state revenues including grants from the Federal Government. That report will have a definitive sum for 1958 taxes, but the dollar total will not be much different from the one just given. It is natural to want to know how the $14.9 billion compares with former years. In absolute dollars it is 2.6% larger than the figure for 1957 which in turn was 8.6% above 1956. For many years this

Continued on page 21

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INDEX

Articles and News

Page

The Outlook for Credit, Interest Rates and Business —Roy L. Reierson ---------- Cover

Housing and Mortgage Prospects in the Coming Year —Hon. Albert Rains ---------- Cover

The Important Role of State Taxes—V. Judson Wyckoff ---------- 3

Possible Solutions to Railroad Financial Problems —T. Carl Wedel ---------- 5

Today's Stock Market: The Myths and the Facts —G. Keith Funston ---------- 6

No Hedge in Over-Valued Shares and a Not So Rosy Economy —Robert S. Nattell ---------- 6

Gentlemen, Be Seated—Ira U. Cobleigh ---------- 7

Developments in Credit Markets and Banking Industry —E. Sherman Adams ---------- 9

Inflation: A Key U. S. Problem—Hon. Lyndon B. Johnson ---------- 10

Better Federal Debt Management—Carl G. Freese ---------- 10

The Inflation, Disease and the Cure—Milan D. Popovic ---------- 12

Far-Reaching Forecasts for 1959 and Advice to Investors —Roger W. Babson ---------- 13

Domestic Oil Industry's Prospects—Morgan J. Davis ---------- 14

Monetary Policy and Problems in Recession and Recovery —Eliot J. Swan ---------- 18

An All-Out Drive to Amend the Fair Labor Standards Act —George Meany ---------- 20

* * * *

George Humphrey Applauds President's Proposal for Balanced Budget ---------- 12

End of Ban on New York State Bank Holding Companies Urged by Sen. G. H. Pierce ---------- 19

Regular Features

As We See It (Editorial) ---------- Cover

Bank and Insurance Stocks ---------- 19

Coming Events in the Investment Field ---------- 8

Dealer-Broker Investment Recommendations ---------- 8

Einzig: "Franc Devaluation, Sterling and the U. S. Dollar" ---------- 11

From Washington Ahead of the News—Carlisle Bargeron ---------- 12

Indications of Current Business Activity ---------- 37

Mutual Funds ---------- 39

NSTA Notes ---------- 8

News About Banks and Bankers ---------- 16

Observations—A. Wilfred May ---------- 4

Our Reporter on Governments ---------- 23

Our Reporter's Report ---------- 36

Public Utility Securities ---------- 23

Railroad Securities ---------- 26

Securities Now in Registration ---------- 30

Prospective Security Offerings ---------- 35

Securities Salesman's Corner ---------- 25

The Market . . . and You—By Wallace Streete ---------- 16

The Security I Like Best ---------- 2

The State of Trade and Industry ---------- 4

Washington and You ---------- 40

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Observations . . .

By A. WILFRED MAY

—NINETEEN FIFTY-NINE—
The Bright and the Bleak Prospects

Following our custom at the New Year forecasting period, we list for the reader's convenience, the most significant factors, ten constructive and ten destructive, likely to determine the course of business activity in 1959. On our permanent premise of a general absence of correlation between economic elements and the course of the stock market, we will consider the likely influences on the latter separately in a subsequent article.

A. Wilfred May

STIMULATING FACTORS

(1) **The political climate,** evidenced by the 1958 election results which, irrespective of the unsoundness involved, should increase governmental interventionism that limits depressions and stimulates expansion. (With unfavorable tax prospects and business-baiting constituting partial brakes).

(2) The public's widespread **inflationary psychology;** which however otherwise harmful and partly unfounded, seems to supply a fillip to consumption (partly offset by the scaring-off of some buyers of consumer durables, as revealed in a current survey).

(3) This week's **European Monetary Agreement,** with the step toward convertibility; which should increase international trade generally, and specifically relax European restrictions on U. S. exports (some offsetting disadvantages to the U. S. may possibly be entailed later in the stiffening of competition with an accentuation of the pricing of ourselves out-of-the-market, in the transfer of financial power to London, and the permanentizing of U. S. gold exports).

(4) **Construction activity,** that leading economic barometer, whose 1958 all-time record volume of about $67 billion should spill over into another new high for 1959—with residential building leading the way.

(5) Rising **steel** production and orders, indicating a 25% increase to possibly 110 million tons next year. (But even such a production increase would use only a maximum of 85% of the industry's expanding capacity, entailing some brake on the price and profit structure.)

(6) The recent sharp rebound in **electrical equipment business,** which will be continuing into the new year.

(7) The bright prospects for **farm machinery** and equipment production, based on the 1958 and apparently continuing rise in farm income.

(8) **Retail sales,** which were sustained surprisingly well through the recession, with Christmas trade higher than last year, and are expected in 1959 to register a further 4 to 5% increase.

(9) Continued **population growth;** constituting a constant bulwark of demand for goods and services, and for the continued growth of total personal income, now at an all-time high.

(10) The **ending of inventory liquidation** (but with its re-accumulation paving the way for an eventual new glut).

* * *

THE RED INK

(1) General **worldwide levelling-off of the postwar trade boom,** with major declines registered in U. S. as well as world exports. Further 1959 improvement likely to be slow and limited.

(2) Long-range effects of the **European Common Market,** with later imposition of new discriminations, including the Europeans' erection of tariff barriers against outside goods.

(3) Registration of a **decline in commodity prices,** indicating over-supply situations.

(4) Uncertainty of the key **auto industry's** sales, with possible hindrance from high prices, and of general durable goods recovery.

(5) **Increased competition;** as is emerging in the key chemical industry.

(6) **Slow-up in capital spending** in 1959, indicated in preliminary surveys, as by McGraw-Hill.

(7) Growing **labor troubles,** and major work stoppages as already presaged by current increase in strikes.

(8) A fresh turn-down in new orders for **machine tools,** amounting to a 20% month-to-month decline registered from October to November last.

(9) **The oil industry's** newly unfavorable outlook; with the world's crude capacity indicated as excessive.

(10) The highly vulnerable status of **the stock market;** with the possibility of a severe price break entailing major psychological repercussions on spending, by both consumers and industry.

Chas. W. Cobb V.-P. Of Harriman Ripley

The election of Charles W. Cobb as a Vice-President and director of the investment banking firm of Harriman Ripley & Co., Inc., 63 Wall Street, New York City, is announced by Stuart F. Silloway, President. Harriman Ripley plans to open a San Francisco office early this year and Mr. Cobb will be in charge of the planned branch.

He joined the staff of The National City Company in 1921 and the staff of Harriman Ripley & Co., Inc. in June, 1934 as Manager of the San Francisco office. In 1942, with the closing of the West Coast branch, Mr. Cobb was transferred to the firm's main office in New York where he has been a member of the sales office staff.

Tuller & Zucker Formed in New York

Formation of the securities firm of Tuller & Zucker, dealers in state, municipal and revenue bonds, has been announced. Offices are at 40 Wall Street, New York City.

Principals in the new firm are Robert N. Tuller, who headed Robert N. Tuller & Co., and Abraham W. Zucker, formerly head of A. W. Zucker Company. Messrs. Tuller and Zucker have, in the aggregate, over 50 years' experience in the bond business.

With Dean Witter Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Robert L. Fields is now with Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

With Schuyler Coffin

(Special to The Financial Chronicle)

LONG BEACH, Calif.—Elmo G. Barnett is associated with Schuyler Coffin, 132 Pine Avenue. He was formerly with Tucker & Co.

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 year fast drawing to a close thoughts are centering on the prospects for business and industry in 1959. Much will depend upon the auto industry and its performance in the days ahead. If the public is very receptive to the 1959 models and converts its desires into orders, the economy should receive a big lift.

It is expected that business presently and in the months to come will be building its inventories to take care of the increased volume of business that is anticipated. General construction, reports indicate, will show an increase in dollar volume in the coming year as in the past. This is not hard to understand when one considers present-day costs of materials and labor. However, gains in physical volume remain in doubt.

Premier of France Charles de Gaulle in radio and television addresses announced to the French people on Sunday evening last, that the French Government was devaluing the Franc by 17.55% along with other stringent financial measures to revive the economy of the nation. Britain also decontrolled the pound sterling, paving the way for the increased imports from the United States and Canada of many items, such as cigarettes, coffee, breakfast foods, canned goods and the like, which Europeans, heretofore, because of the shortage of dollars were unable to obtain.

Last week being Christmas Week, many plants were closed with the result that production was lower. However, reports on retail trade for the country at large show that last-minute purchases boosted the total dollar volume for the entire Christmas selling season to a record level which exceeded slightly the previous high set a year ago.

Sales, prices and profits of metalworking companies will head upward during 1959, "The Iron Age," national metalworking weekly, stated on Wednesday last.

"The Iron Age" based its forecast on the results of a 20-industry survey of top-management people in big and small companies comprising a cross-section of metalworking firms and their suppliers.

The optimism of metalworking management was in sharp contrast to last year when the majority of firms looked toward 1958 with anything but enthusiasm.

A synopsis of "The Iron Age" survey's findings show that prices for metalworking products are on the uptrend. Slightly over half those surveyed plan to raise prices an average of 5% this year. Reasons for the expected increases undoubtedly are that some companies delayed price hikes in 1958. Now with business better they think the market stands a better chance of absorbing them.

The sales outlook for metalworking is considerably brighter than it was last year. Then only 28% of those surveyed could see higher sales on the horizon. Now 78% say they look for sales volume to rise an average of 18% this year.

Profits for most metalworking companies are expected to be healthier this year than last. Poor earnings reports of 1958 pretty much reflected industry opinion at the start of the year. Now some 60% say profits in 1959 will increase about 23% over 1958.

Metalworking firms cut their inventories of raw materials and finished goods to the bone during 1958. At year-end, stocks of raw materials were off as much as 88% from a year earlier. Finished goods were down as much as 74%. A sudden spurt in business could start a scramble among manufacturers to replenish depleted stocks, this trade weekly pointed out.

Order backlogs for metalworking products dropped steadily during 1958. With few exceptions, most of the industries report orders on hand at year-end 1958 below those of 1957 at the same

Continued on page 27

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December 29, 1958

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has retired from the firm as
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Possible Solutions to Railroad Financial Problems

By T. CARL WEDEL*

Vice-President, The First National City Bank of New York

New York commercial banker suggests non-rail transportation techniques of equipment and capital expenditure and guaranteed loan methods applicable to railroads' financing requirements which he believes will be as large or larger than those of airline and subsidized shipping lines combined over the next three years. Mr. Wedel then offers railroaders five-fold advice to improve their competition for money with the non-rail segments of the transportation industry.

T. Carl Wedel

Nobody, however, even remotely connected with transportation can help but know the predominant role the railroads play in this always vital element of our economy. These days, particularly, there seems to be a tremendous volume of words in both the financial and civilian press about the many problems, financial or otherwise, facing other forms of transportation. When I read this mountain of material it is always reassuring, in the interest of perspective, to examine a few transportation statistical facts of life and to find that the railroads, in recent years, have carried nearly 50% of the total ton miles moved in this country, furnished 35% of all passenger miles and have piled up operating revenues totalling 55% of the operating revenues of all forms of transportation put together. From an investment point of view, it is also interesting to note that at the end of 1956 total net assets of the railroads of this country were $26.8 billion versus total net assets for all the domestic trunk airlines, for example, of only $923 million. These statistics prove that the railroads basically still are the mainspring of the transportation industry and, therefore, their financial problems must, should be, and, of course, are viewed with concern, sympathy and often awe by any toiler in the vineyard of transportation finance.

I would like to outline some of the major financial requirements faced by companies in other fields of transportation, to mention some of the financial media used by these companies to fulfill their financial requirements and to suggest some implications of this non-railroad transportation financing relative to the railroads' own financial future.

Such information may prove useful to railroad financial men whose responsibility it will be to raise the funds for their own always substantial capital expenditure programs for the following reasons: (At this point, I want to make absolutely clear that in discussing other forms of transportation, I, in this paper at least, will refer only to the segments of those other forms which do not in the least compete with railroads!)

(1) The railroads, like all free enterprise corporations, compete for the investable funds of the country with all other corporations seeking such funds.

(2) To a large extent in the past, those lending officers of the insurance companies, investment banking houses and commercial banks who have been primarily responsible for judging the competitive position of the railroads in the money market, have been able to concern themselves almost exclusively with railroad financing, and the railroads have, until recently, enjoyed a virtual monopoly on their time and on their credit thinking.

(3) As the capital expenditure requirements of other forms of transportation have grown, and especially in view of the capital expenditure requirements far larger than ever before now facing airlines and American Flag shipping companies, it has been inevitable that many of the same lending officers who for so many happy years concentrated on railroads are increasingly being assigned the credit responsibility for **all** transportation financing. Percy Young of the Prudential, for example, in addition to thinking about railroad diesels is now thinking about 46,000 d. w. t. tankers and Boeing 707s; Dave Jones, who handles railroads for the "Wall Street Journal," also follows the financial convolutions of American Flag subsidized shipping lines; Herb Schriver of Harriman Ripley worries about the economics of containerships. In our shop people like me have responsibility not only for railroads but have other transportation credit responsibility. This list could go on indefinitely.

(4) Although I suppose it is never, on the face of it, a good thing to lose a monopoly, it **may** sometimes be a good thing to open up a little monopoly on credit thinking. In other words, even though the trend in the financial world seems to indicate that railroad finance, *per se* may no longer monopolize the **complete** attention of certain investment sources and certain investment officers, this "loss of monopoly" may very well work to the ultimate benefit of the railroads since they may find adaptable to their own use some of the concepts of equipment and capital expenditure financing, guaranteed loan methods, etc. found practicable in other fields. I am sure that the people familiar with these other concepts will, with help and cooperation, make every attempt to apply them where feasible to the railroads' own financing problems.

Before proceeding into a brief discussion of how some other forms of transportation have attempted to win the race for money, I want to point out that to date, at least, the railroads have shown themselves to be master competitors in the race for the investable funds of the country; in fact so masterful that in the majority of cases, commercial bankers like me, even for the early maturities of equipment issues, have not been able to lend our funds to the railroads for equipment purchases since they have been getting long-term money at well below even our prime rate for short-term obligations. This is a real tribute. Long may the credit magic of equipment trust certificates live!

Now let us discuss briefly the financial requirements of some other segments of the transportation industry and some of the ways in which they have raised the funds to fulfill these requirements.

Other Transportation Methods

We have seen many headlines in the press underlining the supposedly startling fact that the domestic airlines of this country **must** purchase over $2 billion worth of jet airplanes during the next three years to remain competitive one with another and that the American subsidized international shipping lines must themselves raise about $2 billion over the next 10 years to replace their shipping fleets in order to remain eligible for subsidy. Many must have often wondered what all the excitement was about because from statistics one can see that the railroads have calmly, quietly, and most importantly, at relatively low interest costs, consistently raised the new money required to spend on an average of over $1 billion per year on capital expenditures since 1946. Furthermore, from various estimates it appears that the railroads contemplate the necessity for spending for this purpose at the rate of about $1.5 billion per year almost *ad infinitum* into the future.

Interstate Commerce Commission statistics. tell us that total funds available to the Class I railroads of this country from depreciation (which we have come to call internal break even cash generation) approximate only $500 million per year—much of which must go toward repaying annual maturities on already outstanding equipment issues and mortgage and debenture debt. Therefore, each year rails have had to raise from the money market of this country close to $1 billion. I know few people, even in the financial world, not intimately connected with the railroads, realize the magnitude of the financial problem the carriers have solved so calmly year after year without —until last year at least—bothering Congress for special appropriations, the ICC for subsidy or the Treasury of the U. S. for formal government fiscal support. This is another proof of how well to date they have mastered the problem of competing for money in a tough world.

To the airlines and subsidized shipping lines, however, capital expenditures in the amounts outlined above loom like the Himalaya Mountains to a traveller in the lowlands of India — possibly because they **are** large in relation both to past requirements and to that key ingredient of credit (probably more important in virtually every other industry than in the railroads) namely book net worth with its vital colleague, present market value of equity versus book value. To an airline faced with converting to jet operation, the problem is analogous to a railroad having completely to reconstruct within a two year period all its right of way, tracks and stations and to scrap and replace all its revenue equipment at prices per item roughly twice the cost of the present equipment. The same can be said to a lesser degree of the subsidized shipping line faced with the problem of completely replacing all their vessels within a 10-year period. You can at least be thankful that "block obsolescence" has not to date loomed quite so large in your own picture.

How have these two major segments of the transportation industry solved their financial problems?

Airlines' Approach

The airlines basically have done it as follows: they have obtained revolving credits from banks and insurance companies giving them maximum financial flexibility through the contemplated delivery period of the jet equipment which will extend toward the end of 1960. They have then arranged, following the delivery of the last jet, to "fund" these revolving credits into long-term loans and/or debentures of varying maturity lengths — the annual amortization of the debt (at least whenever a prudent lender is involved) being keyed to a figure well below "break even cash generation," i.e. well below depreciation. It is really the size of this maximum allowable annual amortization figure in relation to the total amount of debt needed which has determined the financially sound period over which an airline's debt should mature and it is this concept which has forced virtually every airline to obtain some insurance company money maturing far beyond the relatively short period over which a commercial bank can in good conscience lend and, surprisingly enough, maturing far beyond the depreciable life of the equipment financed. Since equipment debt is virtually the only debt in an airline's balance sheet and they have no "after acquired property clauses" in their relatively few real estate mortgages, they have been able to own their own equip-

Continued on page 24

*A talk by Mr. Wedel before the Annual Meeting of the Treasury Division Association of American Railroads, Roanoke, Va.

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Today's Stock Market— The Myths and the Facts

By G. KEITH FUNSTON*
President, New York Stock Exchange

New York Stock Exchange head attacks myths circulating about the stock market, discusses vital economic problems the market reflects but is unfairly blamed for, and offers specific proposals to end the real economic problems. Mr. Funston denies the myths, for example, that the market: (1) causes business activity, inflation; (2) is overly speculative with investors on a get-rich-quick binge; and (3) is uncomfortably similar to that of 1929. Warning that government restrictions on the market would only affect its thermometer function but would not achieve long-term economic solutions, the Exchange head calls for tax reform to encourage venture financing, and government fiscal responsibility and cessation of wage inflation to end price inflation. Charges discrimination at imposition of higher requirements for market as against other credit.

We are completing a 12-month period in which the stock market story has moved off the financial section of our newspapers and on to the front pages. We have seen stock market volume climb to the highest level in 28 years. We have seen the popular stock averages record new highs.

G. Keith Funston

These developments have inevitably raised familiar questions about the market. People wonder, "who's in the market—and why"? "Is it too high, or too low"? "Are there uncomfortable similarities with 1929"? "How does the market affect the rest of the economy"?

My aim is to answer these questions as best I can. But equally, it is to explode some old myths about the market. These have bubbled to the surface, captured our attention and made the facts harder and harder to distinguish. As a result, some of the pressing economic difficulties we actually face are obscured. By exposing the myths and focussing on the facts, it is my hope to suggest some ways out of our difficulties—steps we will have to take if we are going to handle the deeper problems which the stock market mirrors. In this last regard let me admit that we have almost no easy decisions. A philosopher once wrote that "Delay is always dangerous, and circumstances never entirely favorable for any undertaking . . . If we wait for the perfect time we shall never undertake anything; or if we do, it will turn out badly."

Is the Market Too High or Too Low?

As a prelude to uncovering the myths about the market, there is one often-heard query I'd like to discuss. It is a question that goes: "Is the market too high or too low"? Let me say that anyone expecting a categorical answer is going to be badly disappointed. As frustrated, I expect, as the man who walked into a San Francisco bank and handed the teller a note which read: "Hand Over All Your Money. Act Normal." The teller, an intellectual, considered the note a moment and then wrote at the bottom: "What is your definition of normal"?

So it is with stock prices. Nobody knows. The market is, after all, people. It is a flesh and blood affair. It is not subject to formulas or predictable behavior. In the final analysis stocks are worth what people are willing to buy and sell them for. And who can make a blanket judgment for millions of individual investors—with their vaying objectives and needs—and determine that these prices, or those, are "unrealistic."

No one, let me add, can speak unequivocally for the long future. We shall certainly see prices move in both directions—and at times move sharply. But a prominent member of the Exchange Community told a newspaperman not long ago that "over any long period—10 years, 20 years, 50 years—the market is bound to go up." Why? Because it is a measure of our national vigor and business resourcefulness. And, he noted, "unless something drastic happens to America, business is going to keep on growing."

Market: 1929 vs. 1958

With this perspective we can examine some of the stock market myths that keep springing up.

Myth number one looks at rising stock market volume and the level of stock prices and holds that today's market is uncomfortably similar to that of 1929. Hence, this reasoning goes, we are in deep and difficult danger. This point-of-view, obviously, has its roots in our past. While I know of no one so rash as to suggest we have managed to outlaw depressions, or so bold as to predict that a collapse cannot occur sometime in the future, what are the facts today? If we look at them dispassionately, the differences between the past and the present are, in my opinion, more striking than the similarities. The Exchange's stock list now encompasses some 5 billion shares worth $250 billion, compared with approximately one billion shares worth about $90 billion in 1929. Margins or down payments necessary for the purchase of stock are imposed at the rate of 90%, versus as little as 10% 30 years ago. The amount of credit extended to Stock Exchange firms is actually less than one-third the amount in 1929. The presence in the market of professionally-managed financial institutions—trustees for other people's money—lends a steadying influence. The evolution of government and Exchange regulations provides the machinery for preventing illegal manipulation. And finally, a virtually new profession, devoted to securities analysis, makes available to the public the detailed data necessary for sound investment decisions.

I would like to explore some of these items further in a moment. But for the present they emphasize we are dealing with two distinct and separate universes when we compare the present market and the one 30 years ago.

Market Merely Reflects the Way Investors Assess the Future

Myth number two takes an unhappy view of the public's investment decisions and concludes that the market is setting the pace for the rest of the economy. If the market booms, this myth holds, then the country and the economy will follow along. If the market declines, so will commerce and industry.

The fact is that in a market governed by stern and rigidly-enforced rules designed to prevent illegal manipulations, stock transactions simply mirror the hopes, fears and convictions of a great mass of people. "The stock market," as the "Wall Street Journal" said recently, "merely reflects economic pressures. It causes neither booms for recessions, inflation nor deflation. Its prices, high or low, are results not causes."

Indeed, it would be convenient to blame the stock market—which means millions of individual investors — for inflation and for other unpleasant aspects of our economic life. These problems do exist. But if we are going to make any headway in 1959, we had better begin by recognizing these problems for what they are and not by fooling ourselves that they are somehow caused by the market. For the stock market is essentially a measuring instrument—a thermometer. The government can perhaps impose increasingly restrictive measures on the nation's investors. But our long-term economic solutions do not lie in shaking the thermometer, or in applying ice packs on it, while forgetting the patient and ignoring the real causes of the thermometer's rise.

Most Shareowners Are in Middle-Income Ranges; Risks Are Understood

Myth number three concerns the essential composition of America's shareowning population. This myth holds that Wall Street and "the market" are really synonymous. It argues that the Stock Exchange is merely a trading ground for the few, the wealthy and the privileged. It claims further that stock investments are remote from the average American. And it concludes that if all these things are true,

Continued on page 29

*An address by Mr. Funston before the Minneapolis Junior Chamber of Commerce, Minneapolis, Minn., Dec. 16, 1958.

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No Hedge in Over-Valued Shares And a Not So Rosy Economy

By ROBERT S. NATTELL*
Financial Editor, "United States Investor"

Today's stock market to Mr. Nattell is over-valued and typical of a broad distribution top of a bull market which does not present the conditions that constitute an inflation hedge. Contending "it is always easy to rationalize the over-valuation away by using the word inflation," Mr. Nattell points to 1937-1942 and 1946-48 when over-valued stocks as a hedge were a complete failure and advises only when stocks are undervalued do they serve as a hedge. The financial editor explains why the present state of the economy is not as promising as some picture it; charges Mr. Martin of the Federal Reserve with a tight-money blunder; and believes it is but a matter of time before we devalue gold to $70 an ounce. He selects gold shares as today's sensible investment hedge, and predicts 1959 will witness a business slump and a major market decline.

The stock market, as measured by the Dow-Jones Industrial Average, is at an all-time high of around 570. This compares to the 1929 high of 386. Yields on blue-chip stocks are running between 1 and 2½%, and new bond issues in blue chips are coming out at 5 and 5½%. This large spread in favor of bonds is similar to the situation that existed throughout 1928 and 1929. On the basis of earnings, stocks today are selling at the highest ratio in history. At the 1929 top, stocks sold at around 19 times earnings while today the Dow-Jones Industrial Average is selling at approximately 20 times earnings. Today's popular blue chip growth stocks are selling at 40 to 50 times earnings. All those former yardsticks, however, are now being discarded because of the so-called "flight from the dollar." The word inflation is being used as a slogan to justify good old-fashioned gambling and speculation in the stock market. It is always easy to rationalize the over-valuation away by using the word inflation.

Robert S. Nattell

When Stocks Were Not a Hedge

If you recall during the top of the stock market in 1937 the word inflation was used to justify over-paying for stocks. At that time Roosevelt with his large deficit spending and with world-rearmament going on inflation was inevitable and, therefore, the fact that stocks yielded little and had previously had a huge rise was ignored. The next five years that followed in the stock market was one of the worst declines on record despite a period of rapid inflation throughout the world. Stocks as an inflationary hedge between 1937 and 1942 were a complete failure. During that period the price level throughout the world nearly doubled while stocks at the same time fell from 50% to 90%. Then again, at the top of the bull market in 1946 the word inflation was again used to justify over-paying for stocks. At that time inflation was rampant throughout the world due to a great shortage of all kinds of goods and a great excess of money. When the OPA went off in the summer of 1946 many predicted that the price level would double and in the next few years in many cases prices actually did double. From 1946 to 1948 we had one of the most rapid inflationary periods on record and stocks once again proved to be a very bad inflationary hedge dropping considerably during this period.

We are beginning to wonder whether over-paying for stocks is an inflation hedge or whether it will turn out later to be a snare and a delusion. Historically, stocks have been a good inflation hedge only when they were cheap on their actual value. It is hard for us to believe that over-paying for anything gives you inflation hedge protection. From 1938 to 1955, with the exception of late 1945 and early 1946, stocks in general, on the basis of fundamentals, were undervalued. That is why they offered a good long pull inflation hedge during all those years. For, while everything else was moving up in price rapidly, stocks were still cheap on the basis of earnings, yields and net worth.

Now, however, this situation does not exist. Therefore, to try to say that because when stocks were under-valued they were a good inflation hedge, it means that today, when they are over-valued, they are also a good inflation hedge, may prove to be a costly thing. The history of the stock market has proven over and over again that whenever stocks are over-valued they turn out to be a bad inflation hedge and always result in subsequent losses. A recent example is that in France the stock market went too high and they had a crash with prices dropping an average of 21%, despite really bad inflation.

Why the Worry Now

Another strange thing is that while commodity prices were moving up rapidly people did not seem to worry as much over inflation as they are now worrying about it. Perhaps we have all developed what is known as "conditioned reflex." Ironically, world commodity prices as measured by Reuters Commodity Index, are around a nine-year low. Also, future commodity prices in the United States have hit an eight-year low.

We are starting to wonder whether the present worries over inflation, with excess capacity and inventories at the highest levels in history, are exaggerated based on hindsight. We believe that the stock market has been making a great distributive top that has been forming ever since August. During the past five months the public has entered the stock market in a wild manner, gambling in cats and dogs and on any kind of rumor or piece of bullish news that is printed. In the past few months despite a rise in the Dow-Jones Industrial Average of around 70 points, the broad list of stocks has not participated. The peak in the amount of stocks hitting new highs for the year occurred in late July and early August and despite a continued rise in the Dow-Jones In-

Continued on page 25

*An address by Mr. Nattell before Boenning & Co., Philadelphia, Pa., Dec. 15, 1958.

Gentlemen, Be Seated

By DR. IRA U. COBLEIGH
Enterprise Economist

Reviewing the record and the prospects of a successful company of long standing, American Seating Company.

We have county seats, seats of learning, and seats on the Stock Exchange, but seldom do we pause to reflect that few people sit down unless someone has first supplied a bench, seat chair, stool or divan for the purpose. And, in the area of public seating, no enterprise is more important and renowned than American Seating Co. which began providing wholesale sedentary facilities, just 12 years after Sitting Bull gained his military fame.

Ira U. Cobleigh

By all odds, the largest single seating market is in the classroom. In the Fall of 1958, 34,717,000 pupils (kindergarten through high school) entered public schools, plus 2,600,000 in colleges and universities. While there is a traditional drive to seek high standings in these institutions of learning, students do their striving sitting down. About 70,000 new classrooms were completed for them in the 1957-58 school year. In equipping these rooms, American Seating Co. was a major supplier, turning out a complete line of classrooms equipment, including seats, desks, chairs and tables.

While this educational market provides the major source of sales, American Seating products also include stadium, auditorium, and theater seats; chuch furniture and folding chairs, truck and bus seats. School supplies and equipment, in addition to those of its own manufacture, are also purchased from other manufacturers and sold; and there's a special division which turns out aircraft devices, and machines certain parts for the Douglas Aircraft Co.

Uninterrupted Demand

The demand for seating has been in a long term up curve. Since World War II, the birth rate in the United States has averaged 50% above that of 1940, pointing to a continuous rise in the demand for educational facilities. We were 140,000 classrooms short on Jan. 1, 1958. In 1954, 4,000,000 babies came into the world. They'll be starting school in 1960; and high school in 1968. We'll have to expand our school plant by a least 20% to take care of them, not counting outmoded or fire-trap schoolhouses that must be replaced. So unless we are to educate a generation of standees, American Seating Co. should manage to keep fairly busy for years to come. And its deliveries of equipment for churches and other public buildings should expand accordingly.

The manufacturing plant of American Seating is in Grand Rapids, Michigan, internationally famous furniture center. Unlike many companies, however, American Seating Co. has a large scale storage problem. It must regularly produce seating (especially during the summer months) well in advance of immediate use, and hold it until structures to accommodate it are completed or ready. As a result, while the company's plant covers 900,000 square feet, its additional warehouse and storage areas total over 800,000 square feet. For nationwide distribution, there are branches in San Francisco and Los Angeles, Syracuse, Philadelphia, Atlanta and Dallas. (These branches are vital to the company's national sales, as in many cases, competition comes from smaller regional manufactories.

In common with virtually all manufacturing enterprises, American Seating has been pegging away at plant efficiency and in the past decade has spent over $10 million (principally out of retained earnings) for some addition to plant, but mainly to streamline production techniques. As a result production per labor hour has increased since 1946 by more than 100%.

Earnings Stability

A considerable stability has marked company operations. Net sales have ranged between $35 million and $40½ million in the five years ended Dec. 31, 1957. The year 1957 produced not too satisfactory results first because of much late 1956 buying in anticipation of a price rise posted by the company (effective in January 1957); and also because the school integration problem in many communities caused a considerable interruption in the purchase of school equipment.

Things have been coming along much better this year with but one minor disturbance, a short strike in July. This was settled, however, within two weeks; and a long period of labor stability now seems assured by virture of a three year contract concluded at that time. For the nine months ended Sept. 30, sales totalled $29½ million, a 4½% advance over 1957. Net per share showed an even greater rise in the period —from $2.24 to $2.51.

Another favorable factor has been the rise in profitability. For 1956, the profit margin (before depreciation and taxes) was 11.6% of sales; 12.9% in 1957; and operations this year have been running at the rate of about 14½%.

Consistent Dividend Payer

Stockholders in American Seating have found their equity to be a durable and dependable dividend payer. Cash dividends have been paid without interruption for 22 years with the payout averaging, in recent years, around 45% of net. $1.50 per share has been paid in each of the past four years and there is a fair prospect that this rate might be increased in 1959 if the present upward trend in earnings continues. The shares are characterized by considerable market stability ranging, in the past seven years, between a low of 16 and a high of 38. There was a 2-for-1 stock split in 1952.

Balance sheet position has been consistently good with the Sept. 30 balance sheet showing $21.4 million in current assets against $6.6 million in current liabilities. Capitalization is quite simple consisting of $3,125,000 in long term debt preceding 644,940 shares of common, listed on the New York Stock Exchange and trading under symbol AMZ.

The prospects of American Seating over the longer term appear interesting and it is quite possible that net sales for 1959 will reach an all time high, and per share net may approach or exceed the $3.59 recorded in 1955. The company has substantially improved the efficiency of its manufacturing and has better sales coverage of its market than ever before.

You don't think of design and fabric in public seating, as you do in case of household furniture. School and auditorium seats have traditionally been drab and institutional in appearance. Attractiveness and comfort are, however, now being increasingly demanded and stressed. American Seating is abreast of this trend and has definitely broadened its product line in response. Metal chairs and tables as well as wooden ones are produced; and plastics are now also used extensively. Further, there has been much improvement in comfort and contour so that this generation of kids should do considerably less squirming than earlier ones. Further, chairs and tables matching school decor by suitable design and appropriate color are in increasing demand giving classrooms more warmth, and a less barrack-like air.

The sales outlook appears good in religious, educational and public auditorium fields and only the movie theatre business is lagging. (Here new seating is mainly provided by motor cars since most new theater construction is of the drive-in variety.)

Demonstrated Earning Power

Now American Seating cannot boast the glamor and market motion of an electronics company equity, nor is it accorded the high price/earnings ratios of a good chemical or pharmaceutical (AMZ sells at about 12 times earnings). But it has demonstrated long term earnings power since its first unit started business 70 years ago. Moreover, in the roaring bull market we now witness, AMZ shares have not been bid up to a price out of line with their statistical worth. At 33 to yield currently 4.54%, they appear to afford an above average defense against substantial decline in market value.

AMZ has actually done very little marketwise in the past five years. On the basis, however, of the heavy construction program for the building of schools, public buildings and churches in 1959, and the long range uptrend in population, American Seating Co., the largest manufacturer of public seating, should enter upon a new plateau of prosperity. Benefitting from a diverse and expanding product line, and rising profitability, AMZ shareholders may be sitting pretty.

Weinburg Partner In Jacques Coe Firm

Jacques Coe & Co., 39 Broadway, New York City, members of the New York Stock Exchange, have announced that Martin J. Weinburg has been admitted to general partnership and will represent the firm on the floor of the New York Stock Exchange. At the same time, it was announced that Joseph E. Sullivan has retired from the firm as of Dec. 31, 1958.

Gibbons V.-P. of J. P. Morgan & Co.

Francis K. Gibbons has been elected Vice-President of J. P. Morgan & Co., Incorporated, 23 Wall Street, New York City.

Reinholdt & Gardner

CAPE GIRARDEAU, Mo.—Reinholdt & Gardner has opened a branch office at 517 Broadway, under the management of Francis F. Lewis.

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

December 31, 1958

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Lazard Frères & Co. Wertheim & Co.

Dealer-Broker Investment Recommendations & Literature

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

Agriculture and Growth in Latin America—Study in "Latin-American Business Highlights" published quarterly—Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

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.

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

Common Stocks For 1959—List of suggestions—Gerstley, Sunstein & Co., 121 South Broad Street, Philadelphia 7, Pa.

Cuba—Current situation and effect on sugar—Study—Lamborn & Company, Inc., 99 Wall Street, New York 5, N. Y.

Favored Eastern Railroads—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y.

Fifty Nine Stocks For Fifty Nine—Bulletin—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

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

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

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.

Over-the-Counter Securities — Data on 10 selected issues — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a bulletin on **General Shoe Corporation.**

Railroad Outlook for 1959 — Analysis — Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Shipbuilding Industry in Japan—Survey—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue of the Nomura Monthly Stock Digest are data on **Toyota Motor** and **Mitsubishi Shoji** and a review of the Japanese economy.

* * *

All States Freight Inc. — Memorandum — Fulton Reid & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

Allied Laboratories, Inc.—Report—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a study of the outlook for the Stock Market in 1959.

American Marietta Co.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill. Also available are memoranda on **Ceco Steel Products Corp.** and **Controls Co. of America.**

American Petrofina—Review—Ira Haupt & Co., 11 Broadway, New York 6, N. Y.

American Telephone & Telegraph Co. — Analysis — du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also available is an analysis of **Great Atlantic & Pacific Tea Co.**

Associated Oil & Gas Co.—Report—Palmer-Kennedy Organization, Davis Building, Dallas, Texas.

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

Carter Products, Inc.—Analysis—Schweickart & Co., 20 Broadway, New York 6, N. Y.

Celotex Corporation—Survey—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **Consolidated Edison Co. of New York** and **Edison Bros. Stores, Inc.**

Consolidated Electronics Industries—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Equipment Trust Certificates—Semi-annual evaluation—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Koppers Co.—Memorandum—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Lone Star Brewing Co. — Memorandum — Dittmar & Co., 201 North St. Marys, San Antonio 6, Texas.

Minerals & Chemicals Corp. of America — Memorandum — Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Morgan Guaranty Trust Company of New York—Analysis—The First Boston Corporation, 15 Broad Street, New York 5, New York.

National Pool Equipment Co.—Memorandum—J. H. Hilsman & Co., Citizens & Southern Building, Atlanta 1, Ga.

Precision Transformer Corp.—Report—John R. Boland & Co., Inc., 30 Broad Street, New York 4, N. Y.

Scranton Spring Brook Water Service Company—Analysis—G. A. Saxton & Co., Inc., 52 Wall Street, New York 5, N. Y.

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

United American Life Insurance Company—Review—Ralph B. Leonard & Company, Inc., 25 Broad Street, New York 4, N. Y.

Zapata Off Shore Company—Report—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

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NSTA Notes

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association will hold its 35th annual Dinner on Friday, Feb. 6, at the Sheraton Plaza Hotel.

SECURITY TRADERS ASSOCIATION OF CHICAGO

The Security Traders Association of Chicago will hold their annual winter dinner at the Sheraton Hotel, Jan. 26, 1959, in conjunction with the National meetings.

Continued from page 2

The Security I Like Best

lent strength and toughness for an unfilled plastic and is resilient and semi-flexible. The frictional properties are excellent and it requires little or no lubrication, being an excellent insulator and resistant to most chemicals, oils and greases. The principal industrial uses of nylon are in gears, bearings, valve seats and other machinery parts, wear surfaces and electrical insulators. The company processes and sells TEFLON, a plastic material developed and produced by Du Pont under the company's own registered trademark. It is used extensively in the electrical industry, in the chemical processing industry, and in military equipment especially aircraft and guided missiles.

Polymer has been active in developing new plastic alloys. One of these new products is a line of specialty nylon molding powders called NYLATRON.* Parts made by injection molding of these powders have desirable properties with regard to wear, friction and heat resistance. Another alloy, FERROTRON,* a filled plastic with ferromagnetic properties, is sold as rigid magnetic cores and as flexible rod and tape. Potential applications are seen in the electronic industry. A third product to come out of research is NYLASINT,* a trade name for fine polymide powders which are chemically manufactured and can be used in manners somewhat similar to powdered metal. Applications for this wear resistant material include cams, bearings and slides.

A particularly promising area for Polymer Corporation is the fluidized bed coating (Whirlclad) process. This process is expected to have the largest potential earning power of all the company's recent developments. It is a revolutionary plating technique whereby a preheated article is dipped into a fluidized bed of specially prepared, finely powdered dry plastic material. Castings, stampings, wood, steel wire parts, etc., can be clad uniformly with a variety of plastics in just one dip, with thickness control far exceeding that obtainable with conventional finishes. Other qualities that can be imparted with this process are: controlled sheen, durability of finish, smooth finish, electrical and thermal insulation, uniform and good adhesion, impact and abrasion resistance, plus resistance to salt spray, water and sunlight. The company has the exclusive license for the fluidized bed coating process, a German invention, in the United States.

Polymer derives income from the process in three ways: (1) Royalties from sub-licensees; (2) Sales of powders for coatings; (3) Operation of a custom coating plant. The trade name used is "Corvel Fusion Bond Finishes."

Production and Marketing

The company's principal plants and laboratories are located in Reading, Pa. Additional manufacturing facilities are located in Detroit, Santa Ana, Calif., and Hertfordshire, England, and warehouses are maintained in New York City and Chicago. The company's products are used for such a wide variety of purposes that sales are made to virtually all types of industries. The customer list totals more than 3,000 names, and no single customer accounts for any appreciable percentage of total sales.

CAPITALIZATION (6-30-58)

	Author'd	Outstdg.
Long-term debt ------		$340,053
Capital stock $1 par—		
Class A ------------	1,000,000	397,671
Class B ------------	400,000	273,805

Options

To purchase 16,656 class A shares at $6.70 and 1,200 shares at $16.02. Class B stock has exclusive voting rights; however, the class A stock has a certain dividend preference, in that no dividend can be declared or paid on the class B stock unless concurrently or prior thereto in the same fiscal year dividends in like or greater amount shall have been declared or paid on the class A stock. In other respects both classes have equal rights.

Dividends

To date, no cash dividends have been paid on either class of stock, although several stock dividends of varying amounts have been paid.

Prospects

Polymer's sales and net income during the first six months of 1958 were adversely affected by the general business recession. Since last February there has been a gradual upward trend of shipments and new orders received. Unaudited net sales for the third quarter were $1,110,000 with satisfactory earnings being shown for the months of August and September. Unaudited net sales for the month of October were about $525,000 on a consolidated basis including the English subsidiary. Polypenco Co., Ltd., which is now reported to be operating in the black for the first time.

No new financing is anticipated in the near future, and working capital is substantial ($1,661,989 on June 30, 1958). Reported earnings in the next few years may be affected by heavy charge-offs for research on the fluidized bed coating process.

Polymer stock was first offered to the public in September, 1956, at 7¼. The range of approximate Over-the-Counter Market offering prices since that time has been 7½-21½.

*Registered trademark of the Polymer Corporation.

Laurence Marks Co. Admits E. E. Barrett

Laurence M. Marks & Co., 48 Wall Street, New York City, members of the New York Stock Exchange, announce that Edmund E. Barrett, Jr. has been admitted as a general partner in the firm.

COMING EVENTS

In Investment Field

Jan. 15, 1959 (Philadelphia, Pa.)
Philadelphia Securities Association annual meeting and dinner at the Warwick Hotel.

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

Jan. 29, 1959 (Chicago, Ill.)
Security Traders Association of Chicago annual winter dinner at the Sheraton 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.

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Developments in Credit Markets And Banking Industry

By E. SHERMAN ADAMS*

Deputy Manager, American Bankers Association, N. Y. City

Bankers' economist detects irregular general recovery ahead, encompassing a possible setback somewhere along the line, before reaching new output highs and strong demand for funds in 1959. In analyzing private and public supply and demand factors, and probably Federal Reserve course for the not too liquid commercial banks, Mr. Adams opines there may be some tightening in the general availability of credit during 1959. The outlook for banking envisions lower net profits to capital accounts than for 1958 which may even drop below the 8% banks averaged in recent years.

To appraise the outlook for credit and for the banking industry in 1959, we need to analyze these questions: What will be the demands for credit? What will be the supply of lendable funds? How will this demand-supply situation affect lending and investment policies and interest rates? And finally, how will these and other developments be reflected in bank balance sheets and earnings statements?

Dr. E. S. Adams

At the outset, we must make some assumptions and perhaps we can agree on the following: no shooting war, no relaxation of the armament race, no wild spending or lending spree by Congress, and no debacle in the stock market. One further assumption is that Main Street will not become afflicted by the inflationary psychosis that has recently been rampant in Wall Street.

Any of these assumptions may, of course, prove to be wrong, in which case we would have to revise our appraisal of the outlook for the economy and for credit conditions.

More Business, More Demand For Credit

On the basis of these assumptions, however, we can expect that production and employment will be appreciably higher in 1959 than in 1958 and this will probably mean a considerable increase in demands for credit. To be sure, the recovery is likely to be irregular and we could even encounter a setback somewhere along the line. However, before the end of 1959, output should reach new highs and this should generate strong demands for funds.

During the early part of the year, business demands for credit may be quite moderate and for more than seasonal reasons. For one thing, long-term corporate financing is apparently headed lower. Also, over the past year many businesses have accumulated cash and other liquid assets and will not need to borrow for a while for working capital purposes.

This situation, however, could sooner or later change rather rapidly as business continues to expand. It is especially likely to do so if, as sales and profits improve, businessmen increase their outlays for inventories and even for plant and equipment, as may well happen.

Add to this a rise in consumer borrowing. Backlogs of demand have been building up for automobiles and other consumer durables, and at least some of these lines of business should make a reasonably good showing in 1959.

Next add in a goodly demand for mortgage money. Here again there appears to be some backlog of demand, and most spokesmen for the building industry expect a generally good year.

Then add some additional borrowing by farmers and ranchers and you come up with an impressive total of increased demands for credit from all types of private borrowers.

Public Borrowing Will Be Large

Looking now at public financing, we find that states, municipalities and other public bodies have been issuing a record volume of bonds over the past year and are likely to borrow even more heavily next year.

Finally, we know that the United States Treasury will be coming to the market with its hand out throughout 1959. Next year for the first time since World War II, Treasury expenditures will exceed revenues even during the first half of the calendar year. Also, of course, regardless of just how the budget eventually shapes up for fiscal 1960, the Treasury is bound to be operating in the red during the last half of calendar 1959.

Turning now to the supply side of the credit picture, there is little reason to expect much change in the rate of growth of lendable savings in the hands of nonbank lenders and investors. Therefore, while this flow of new savings into the credit markets will continue to be large, it will not be large enough to meet all of the demands of would-be borrowers.

This means that the commercial banking system, which is to a large extent the residual source of credit, will be called upon, as it usually is, to augment the available supply of lendable funds. In short, bank credit will expand. The question is how expansible it will prove to be under 1959 conditions.

Fed and Foe

This will depend in large measure upon Federal Reserve policy. In general, of course, the Federal Reserve authorities can be counted upon to do their best to supply enough credit to meet the needs of a growing economy while at the same time restricting credit expansion sufficiently to combat inflation. How will they apply this principle to 1959 conditions?

One basic complication confronting the monetary authorities is the fact that inflationary tendencies in our economy have by no means disappeared even though unemployment has been relatively high. The 1957-58 recession has not been accompanied by the usual readjustments in production costs and prices. Construction costs are higher today than they were a year ago and so are average wage rates in industry. The indications are that during 1959 industrial wage and price policies will again have an inflationary bias.

The continued vigor of the wage-price spiral and concern over the Federal budget have tributed to the inflationary psychology which has been so evident in the stock market and which may be reflected in some other markets as well.

To be sure, the price level has been stable in recent months and there is no reason to expect any big rise in prices during 1959. Nevertheless, prices could edge upward during the year, and in formulating their policies, the Federal Reserve authorities will naturally take into account any inflationary tendencies that may develop.

Deficit Financing and the Banks

The problem of monetary control will be particularly complicated by the Treasury's deficit spending. The Federal Reserve has an unwritten obligation, of course, to see to it that new Treasury flotations find a home, or at least lodging for the night. During the 1955-57 boom, it was able to discharge this responsibility without adding to the amount of Government securities held by the banking system. Indeed, the banks were forced to sell large amounts of Governments in order to obtain funds to meet loan demands.

But the picture in 1959 will be quite different because of the large amount of new money the Treasury must borrow. The chances are that the banking system will be called upon to finance part of this deficit. In other words, instead of declining as they did in 1955-57, bank holdings of Government securities will probably increase during 1959.

Under these circumstances, the Reserve authorities may decide that, to prevent total bank credit from expanding too much, they should curtail the flow of bank credit to private borrowers more than they otherwise might. On the other hand, they may feel justified in permitting a somewhat faster rise in total bank loans plus investments and in the money supply than during 1955-1957.

Credit Availability and Interest Rates

Another important factor bearing on the supply of credit next year is the fact that commercial banks are now far less liquid than during the postwar decade.

Their loan-deposit ratios have not declined much from their 1957 peaks and are much higher than at the end of 1954. Consequently, any large expansion of loan demand would tend to tighten the availability of bank credit more quickly than during the 1955-57 boom.

Putting all these supply and demand factors together, you may agree that they probably add up to some tightening in the general availability of credit during 1959. This may not occur right away but is likely to develop before the end of the year.

Interest rates, of course, will respond in similar fashion. Again, movements in interest rates will doubtless be irregular. Open-market rates have already rebounded quite sharply from their lows of last Spring. If business recovery should falter, the Federal Reserve might temporarily shift its policy in the direction of greater ease. By the year-end, however, increased demands could easily push the price of credit somewhat higher than it is today.

The Outlook for Banking

How will these and other developments affect the banking industry?

As far as bank assets are concerned, we have already noted that there will probably be some increase in holdings of government securities and in all major categories of loans. Holdings of state and municipal securities will rise some but not at the unusually rapid pace of the past year. On the liabilities side, of course, deposits will be correspondingly higher.

As for bank earnings, gross operating earnings will doubtless show some improvement, probably somewhat more than enough to offset the persistent rise in operating expenses. On the other hand, banks will certainly continue to add to their capital funds and will in all probability realize sizable net losses next year on their security transactions—in contrast with substantial net profits realized on these transactions during 1958. As a result, net profits in relation to capital accounts will be lower than for 1958 and may even drop below the modest 8% that the banks have been averaging over recent years.

So that seems to be the way things may develop next year in the credit markets and in the banking industry—provided, of course, that nothing unexpected happens. The trouble is it so frequently does.

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

F. Eberstadt Admits Cannell & A. Eberstadt

F. Eberstadt & Co., 65 Broadway, New York City, has announced the admission of Peter B. Cannell and Andrew W. Eberstadt to general partnership in the firm.

Peter B. Cannell

A. W. Eberstadt

Mr. Cannell joined F. Eberstadt & Co., in 1955 and has been active as the assistant to the president of Chemical Fund, Inc., sponsored by F. Eberstadt & Co. In March 1958, he was elected a vice president of Chemical Fund. Before joining the firm, Mr. Cannell was associated with Merrill Lynch, Pierce, Fenner & Smith in their investment research department. He is a resident of New York City.

Andrew W. Eberstadt joined F. Eberstadt & Co., in 1947. Since 1955 he has been the Eastern wholesale representative for sales of Chemical Fund, Inc., in the New York Metropolitan area. He is a resident of Orange, N. J.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE December 31, 1958

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Holders of the Company's outstanding Capital Stock are being offered the right to subscribe at $36 per share for the above additional shares of Capital Stock at the rate of one new share for each two shares held of record at the close of business on December 23, 1958. Subscription Warrants will expire at 3:30 P.M., Eastern Standard Time, on January 19, 1959.

The Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed Stock and, prior to and after the expiration of the subscription offer, may offer shares of Capital Stock at prices and on terms set forth in the Prospectus.

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

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Inflation: A Key U. S. Problem

By HON. LYNDON B. JOHNSON (D.-Tex.)*
Senator, United States Congress

Senate Democratic leader Johnson asserts inflation is one of the major problems we have to cope with and urges a thorough nonpartisan study of the economy in the new Congress. Claims we suffer from a different kind of inflation than heretofore, recommends we institute a study similar to former temporary National Economic Committee, and suggests Joint Economic Committee as basis for such a review.

Congress is faced with heavy responsibilities which must be met under a set of totally new circumstances. Those new circumstances have given rise to apprehensions in some quarters that the new Congress will be intensely partisan. There are those who believe that it will operate with its eyes fixed solely on 1960.

Lyndon B. Johnson

Personally, I believe that these prophesies are wide of the mark. I think they are based upon a misunderstanding of the way in which our government works.

Our elections are—of necessity—partisan. But our elected officials find themselves faced with the responsibility of representing all their constituents.

Somehow, they must find ways and means of giving a thorough hearing to all points of view. And the legislation that emerges—as a general rule—reflects this kind of a hearing.

When it does not, the voters have an effective remedy which they can exercise within a two-year period.

It is my belief that the next Congress will do the best it can with materials it has at hand to solve the problems of our times. I believe it will try to resolve—rather than to create—issues.

I have a great deal of confidence in the ability of Congress to find national solutions to national problems.

The solutions never please everybody and rarely please anybody completely. But they are solutions which help our country to grow stronger and more prosperous.

I have listed already some of the problems which I believe the next Congress must—and will—face. The list was admittedly incomplete. No man has a crystal ball which can peer into the future accurately—not even a year ahead.

Under no circumstances, would I presume to draw a blue print of the next Congress or to plot its course step by step.

Furthermore, there is another point I would like to make today. It is that we cannot adopt a "let George do it" attitude and leave everything to Congress.

There are many problems which require the cooperation of every level of government—federal, state, and local. And whenever one of those levels fails to pull its share of the load, another will step in to do the work.

I am no scientist. But I am aware of the basic principle in physics that "nature abhors a vacuum." This principle holds true in government as it does in the natural sciences.

When a problem exists, the American people will insist that it be faced. And if it is ignored at one point, they will sooner or later secure action at another point.

There is a heavy responsibility upon the state and local governments to maintain their strength and integrity. No one feels this more keenly than I do.

Problem of Inflation

Strength and integrity are maintained by meeting and discharging responsibilities. And when responsibilities are ignored, prerogatives usually meet the same fate. . . . We are facing one problem which is going to require the cooperation not only of all levels of government but of all Americans. I am referring to the problem of inflation.

It has become so much a part of our daily lives that it is not even necessary to cite statistics. The fact that the cost of living has gone to a "new record high" has become a commonplace of newspaper reporting.

And on the rare occasions when we see a headline "Cost of Living Drops", we find, on reading the fine print, that the index has gone down one-tenth of one per cent.

Inflation hits practically every part of our population.

It presses upon the businessman who finds his costs mounting daily.

It presses upon the farmer who finds that the prices of the things he must buy go constantly up.

It presses upon the workingman who finds that his weekly paycheck provides fewer and fewer groceries.

It presses upon local governments who find that it is more and more difficult to float bonds for local improvements.

No Agreement on Inflation

Inflation is like the weather. Everybody talks about it but nobody does anything about it. What is even more serious, nobody can agree with anybody else on what it is.

There are learned men who claim that the cure for inflation is tight money—high interest rates. Yet these same high interest rates have increased the cost of government.

There are many who believe that rising wage rates have forced up costs and cheapened the dollar. But others argue that higher wage rates are necessary to meet the higher cost of living.

Some people blame government spending. Others claim that if government spending were to stop, our whole economic system would be thrown out of gear and we would have widespread misery.

Meanwhile, it goes on—and takes cruel bites out of the livelihood of all those who live on fixed incomes.

It's a Different Inflation

Furthermore, it is not the kind of inflation that we studied in our school days. It does not fit what economists call the "classic pattern."

There was a period last year in which we had more than 6 million people unemployed. That means 6 million men and women who wanted work, who were looking for work and who could not find work.

According to the academic scholars of economics, that was a situation which should have brought prices tumbling down. Instead, they hit all-time highs.

Throughout a great part of last year, our steel mills operated at only about half of capacity. According to some theories of economics, inflation is caused when supply cannot keep up with demand.

We had a greater ratio of supply over demand than the world has ever seen before. Still inflation continued.

The examples could be multiplied many times. The fact still remains that we have no clear-cut idea of what is causing inflation and what should be done to prevent it.

Recommends Nonpartisan Study

We are going to have to rid ourselves of preconceived ideas. We are going to have to approach this problem in the same mood that a surgeon approaches an unknown disease—not in the mood that a politician approaches an election.

Back in the 1930's, this nation went through the most searching scrutiny of its economic system in history. It was handled by the Temporary National Economic Committee headed by Senator Joseph C. O'Mahoney of Wyoming.

That committee searched the highways and byways of the American economic system. It took volumes of testimony from businessmen, scholars, farm leaders, labor leaders—people from every walk of life.

It was nonpartisan to the core. It sought explanations rather than justifications. It tried to be constructive rather than destructive.

And its reports became the only source book on the economic system which was both comprehensive and authoritative.

It seems to me that we need to take the same kind of searching look once again. The situation with which we are confronted has no precedents. We are going to have to bring together our best minds to find solutions.

I can open my mail any day of the week and find ten or even thirty proposals for handling the inflation problem. Many of them sound appealing and attractive.

But we cannot afford to "go for broke" in tinkering with our economic system merely because an idea is appealing and attractive. The idea must be tested in the marketplace of ideas.

It must be considered by men of skill and experience; it must be put up against counter ideas; it must be assayed and weighed by critical minds.

The launching of such a study will, I hope, be one of the major activities of the coming Congress. We need light in dark corners; and we need it soon.

All my life, I have tried to avoid the fatal error of mistaking motion for action. And motion without forethought is rarely action—and never satisfactory action.

I have presented one of the proposals which I hope will be considered in the next Congress. We have a base for it already in our Joint Economic Committee.

All that is required is expansion and plans for the study.

*From a talk by Sen. Johnson before the San Angelo Board of City Development, San Angelo, Texas, Dec. 11, 1958.

Rutter & Co. Changes

Rutter & Co., 20 Exchange Place, New York City, members of the New York Stock Exchange, announce that Richard Wallower has become a member of the New York Stock Exchange. Philip L. Gill and Edgar Z. Wallower, formerly general partners, become limited partners effective Jan. 1.

Names Director

Henry C. Alexander, Chairman of J. P. Morgan & Co. Incorporated, has been named to the board of directors of Discount Corporation of New York, succeeding George Whitney who has resigned.

New Bache Branch

ST. JOSEPH, Mich. — Bache & Co., has opened a branch office at 2003 Lake Shore Drive, under the direction of Gilbert E. Botkin.

Better Federal Debt Management

By CARL G. FREESE*

Chairman of the Committee on Government Securities and the Public Debt of the National Association of Mutual Savings Banks
President and Treasurer, Connecticut Savings Bank of New Haven, Conn.

Several recommendations are submitted by Mr. Freese as to how we can improve our debt management policies and practices, besides controlling the increasing volume of Federal spending. Regardless of what is done, the Connecticut savings banker avers we must give top priority to this and subordinate all other considerations so we may achieve economic growth and price stability. Recommended are: (1) higher interest payments on new government securities even though outstanding issues may decline and fluctuate; (2) devising improved forward commitments for application to Treasuries; (3) exploring redemption, conversion and tax benefit techniques; and (4) coordination of Treasury and other Federal programs. Doubts dramatic recent Canadian Conversion Loan is appropriate for us now, and advises raising savings bonds' rate to 3½ or 3¾ percent.

The Federal debt is so large a part of the nation's entire capital and credit structure that its management has an important influence not only on the state of Federal finances, but also on the course of the national economy. Our government now owes close to $280 billion, about one-third of the total indebtedness outstanding in this country. Reflecting recent and expected deficits, moreover, the Treasury requested an increase in its temporary debt ceiling from $280 to $288 billion which the Congress recently granted.

Carl G. Freese

All things considered, there is little likelihood in the years ahead of reducing the huge Federal debt; indeed the prospects are for further increases. In addition to problems associated with raising large sums of additional new financing, the Treasury's debt management team must contend with trying problems of refinancing maturing and called issues. In meeting these problems the Treasury has a profound and continuing influence on general financial developments. Indirectly, its debt management policies influence the level and rate of savings; directly they influence conditions in capital markets, including interest rate movements and terms of lending. As savings bankers, therefore, we clearly have a special and continuing interest in Treasury activities. Sound management of savings banks' investment portfolios requires our close interest in, and understanding of, Treasury financing problems and practices.

Recent refundings and new cash offerings have, in the main, not been particularly suited to savings banks. Large Treasury operations scheduled for the early months of 1959, however, may hold greater investment opportunities for our industry.

Debt Management and Inflation

It is important to recognize that present burdensome Treasury problems are the result of heavy wartime expenditures together with spending programs recently undertaken. In fiscal 1958 the Federal Government spent close to $72 billion, nearly $5 billion more than it took in. In the current fiscal year ending June 30, 1959, it expects to spend $78 billion, $12 billion more than anticipated receipts. Clearly, the most direct and effective way of easing debt management problems without inflation is to reduce expenditures and/or increase revenues. The deficit in fiscal 1959 may well be lower than the $12 billion anticipated because of possible higher revenues resulting from the general improvement in business activity. It is not likely, however, that Federal expenditures will soon be reduced. Yet the volume of Federal spending must be controlled if we are to avert a steady erosion of the purchasing power of the dollar.

Apart from broader economic considerations, the Treasury has a direct interest in combating the forces of inflation. Fundamentally, a sound market for U. S. Government securities depends on allaying the widespread fears of inflation. So long as consumers and investors are motivated in their actions by a belief in the inevitability of inflation, so long will it be difficult to market new Treasury securities successfully.

Clearly, debt management policy is but one of the anti-inflationary weapons available to the Federal Government. Its coordination with Federal Reserve monetary and credit actions is essential and, by now, a well accepted principle. During periods when economic expansion threatens to become excessive, for example, and the monetary authorities are rightfully pursuing a policy of credit restraint, it is important that the Treasury offer securities which do not require Federal Reserve support on more than a temporary basis.

It is not as well accepted, at least in practice, that there are other Federal programs in major credit areas which must, also, be coordinated with Federal Reserve and Treasury operations, if debt management is to be most effective and the battle against inflation won. In particular, Federal programs to insure and guarantee mortgage credit operate in direct competition for investment funds with the Treasury Department. Higher yielding mortgages, backed by the contingent liability of the Federal Government, provide nearly as much safety as do U. S. Government securities. Indeed, their amortizing nature provides for a type of liquidity not inherent in Government bonds. When the Federal Government pursues a policy of stimulating demands for mortgage credit, out of social rather than economic considerations in the housing field, at a time when inflationary forces are rampant, it is assuredly acting at cross-purposes.

It is necessary, therefore, that the huge and expanding Federal mortgage credit programs—some $48 billion or 44% of all home mortgage debt is now underwritten by the Federal Government—be subordinated to, and modified from time to time in accordance with the changing need to control inflationary forces. For, after all, if the ability of the Federal Government to stabilize the value of

*An address by Mr. Freese before the 12th Annual Midyear Meeting of the National Association of Mutual Savings Banks, New York City, Dec. 2, 1958.

the currency is seriously impaired, the public's confidence in Federal obligations is undermined and Federal credit guarantees become of limited value. The coordination of Federal housing credit policies with fiscal and monetary policies must include not only the Federal Housing and Veterans Administrations — the Federal underwriting agencies—but also the Federal National Mortgage Association, Federal Home Loan Bank System, and Public Housing Administration. Coordination must extend, also, to the nation's agricultural credit programs.

Competition for Capital Market Funds

It is a basic tenet of our free enterprise economy that buyers and sellers, borrowers and lenders, compete in open markets for the goods, services, and financial claims, which they offer and seek. In this setting, the Federal Government, in financing its operations, must compete with other types of borrowers—both private and public—for the funds available in financial markets. This is as fundamental a principle of sound debt management as the need to combat inflation and to coordinate all Federal fiscal, monetary and credit policies.

There are no isolated or preferred markets in which the Treasury can operate. Thus, in order to attract funds away from other borrowers, and successfully to finance its debt largely outside the commercial banking system, the Treasury must compete on the basis of interest rates and other terms. There can be no other effective financing method short of Federal regimentation or statutes requiring investors directly to purchase U. S. Government securities, or banks to hold them as part of their legal reserve.

Techniques of moral suasion, and appeals to institutional investors to overlook normal market considerations in order to support Treasury financing are not realistic, short of war or grave national emergency. Fiduciaries are themselves in sharp competition for the savings of individuals and have a prime obligation and public trust to depositors, shareholders, and stockholders to earn the highest return possible on invested capital commensurate with safety and liquidity requirements. Long-run considerations of inflation are, of course, essential but the best weapons in this battle are sensible and courageous fiscal and monetary policies of the Federal Government, effectively coordinated with housing and agricultural policies to preserve the purchasing power of the dollar.

To be sure, a debt management policy based on offering securities at competitive rates of interest is not without its problems. The Treasury is, for the most part, in competition with borrowers who are able to deduct interest payments from their tax bill. A corporate borrower, for example, who pays 5% interest on debt securities has a net cost, after Federal income tax, of 2.4%. The same principle applies to the mortgage borrower. To compete effectively with these borrowers it may be necessary at some future time for the Treasury to request an increase in the statutory rate of interest which it can pay on Government bonds.

Competing with other capital market borrowers on the basis of interest rate means, also, that the cost of interest payments in the Federal budget will be increased. It means, further, that prices on outstanding issues of Government securities may decline and fluctuate over a wider range than they have in other earlier years. This phenomenon has characterized the market for Government securities over the past year or so.

Higher interest costs on the Federal debt, while not in them-

Continued on page 22

Franc Devaluation, Sterling And the United States Dollar

By PAUL EINZIG

The first to provide a definite forecast of the "heavy" franc solution, in foreshadowing a revaluation by 100, ("Changes in Dollar-Sterling-Franc Ratios in the Offing," *Chronicle*, Dec. 25, 1958, p. 17), correspondent Einzig judges that the relatively moderate devaluation will not give rise to wholesale repatriation of French funds from the United States. Thus, Dr. Einzig does not anticipate repatriations will cause any embarrassment to the U. S. dollar, though it will assist sterling during the initial period of convertibility. States that the long-run prospects for sterling will depend upon Government's ability to resist inflation and the degree of inflation in the United States.

LONDON, Eng.—The Christmas holiday season of 1958 will long be remembered as having witnessed two events of first-rate importance in the international monetary sphere — the restoration of the convertibility of sterling and the devaluation of the French franc. On the face of it, neither step appears to be very dramatic. Sterling's approach to convertibility has been very gradual, and the announcement made on Dec. 27, 1958, does not complete the process. For sterling is only convertible for non-residents and only for current requirements. British residents remain subject to exchange restrictions, and overseas residents remain restricted in respect of investment transfers. As for the franc, it was devalued a number of times since the end of the war.

Dr. Paul Einzig

Nevertheless, both events are of outstanding importance. For all practical purposes sterling was already convertible before this latest move, ever since the government decided to support the market quotations of transferable sterling in the close vicinity of the official parities. As a result of this policy foreign holders were able to sell their sterling at rates which differed only slightly from the London market rates. The difference is that until now the government would have been in a position to discontinue supporting the "unofficial" rates at a moment's notice. But now the "unofficial" rates have been unified with the "official" rates, and the government is under obligation to support the unified rates between $2.78 and $2.82 in relation to the dollar. Until now the unofficial rates could have been allowed to decline as a matter of routine. Now the unified rates could only be allowed to decline as a matter of major policy decision amounting to an admission of defeat.

The government committed itself to the support of the unified rate as a gesture indicating strength. It indicated its confidence not only in the economic strength of sterling but also in the prospects of a Conservative victory at the general election. For the anticipation of a Socialist victory would produce a landslide in the foreign exchange market during the period between the announcement of the election date and the announcement of the election result.

It is doubtful whether the Treasury's gold and dollar reserves, reinforced as they are, would be sufficient to withstand a flight from sterling if there should be a widespread anticipation of the advent of a Labor Government which would revert to exchange restrictions and would embark on inflationary policies. A few months ago this confidence in Conservative victory might have been considered foolhardy. Today it is considered reasonable.

Likewise, the government's confidence in the economic soundness of sterling now appears to have a great deal of justification—even though the correct conclusion is reached on the basis of the wrong reason. Prospects of wage inflation are as gloomy as ever, and in the long run the future of sterling will depend on the relative extent of wage inflation in Britain and other major industrial countries. But during the course of 1959 the adverse effect of excessive wage increases in Britain is likely to be offset by the continued pressure on the dollar. From this point of view the circumstances of the devaluation of the franc are of considerable significance, because it is likely to cause substantial repatriations of French capital from the United States.

Why French Devaluation May Succeed

The reason why previous devaluations of the franc failed to produce such effect on a really noteworthy scale was that even at its devalued level the franc failed to command confidence. This was largely the result of the political instability inherent in the constitution of the Fourth Republic, as a result of which no French Government was in a position politically to resort to drastic steps to ensure the stability of the franc. Today General de Gaulle's position is strong enough to enable him to take the necessary measures. For this reason a relatively moderate devaluation of the franc is likely to induce many French holders of dollar balances or dollar securities to repatriate their capital.

The extent of the devaluation is incomparably more moderate than was that of 1928, so that there is no reason for expecting such a spectacular reflux of French funds as was witnessed during the late 'twenties and the early 'thirties. Moreover, the political situation in Europe and in North Africa is such as to discourage many French holders from realizing their dollars. On the other hand, given the higher degree of domestic political stability in France, and the resulting prospects of sounder financial policies, many French holders will repatriate their funds, and this is bound to result in persistent pressure on the dollar. The extent of this pressure is not likely to cause major embarrassment to the United States. On the other hand, it will be sufficient to assist sterling during the initial period of its convertibility.

Had convertibilty been restored earlier, its immediate effect might have been a large scale transfer of funds from London to New York, owing to the prevailing world-wide scarcity of dollars. During 1959, however, dollars are not likely to be scarce, owing to French selling. So the dollar's poison is likely to be sterling's meat. Indeed, provided that convertible sterling will inspire confidence abroad it will attract funds to London. Geographically London is a more convenient financial center for Europeans wishing to keep balances abroad, and it seems probable that after a Conservative victory continental sterling balances will increase.

Sterling's Long Run Prospects

In the long run, however, the prospects of sterling will depend on the government's ability to resist inflation. The Leader of the Labor Party, Mr. Gaitskell, was right in pointing out that as a result of the return to convertibility sterling has become more vulnerable, and that in consequence there will be increased pressure in favor of disinflationary measures. At the moment such measures will not be called for, as sterling is likely to remain reasonably firm. But another financial or political crisis would be followed by an even more sweeping flight from the pound than those witnessed on repeated occasions since the end of the war, and would call for even more drastic measures than those taken in September, 1957.

Much will depend, of course, on the degree of inflation in the United States and other industrial countries. As far as the United States are concerned, any weakening of the dollar as a result of withdrawals of French capital and of London's competition as a world banking center would make it more important than before to resist inflation. The Washington authorities can no longer afford to disregard the ups and downs of the balance of payments and the international movements of funds in determining their monetary policy.

If the pressure on the dollar should force disinflationary measures on the United States, Britain too would feel impelled to adopt a similar policy. Otherwise sterling would come under strong pressure. In the changed situation the need for a strong British gold reserve has become more imperative than ever. British experts and the public must acquire the habit of comparing the gold figures with the figures of short-term external liabilities, to avoid dangerous unwarranted optimism.

J. L. Loeb, Jr., Partner In Loeb, Rhoades Co.

Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York City, members of the New York Stock Exchange, announced that John L. Loeb Jr., the third generation of the Loeb family in the organization, has been admitted to general partnership.

John L. Loeb Jr.

Mr. Loeb is the grandson of the late Carl M. Loeb, who founded the firm in 1931, and the son of the present senior partner, John L. Loeb Sr. Young Loeb graduated from Harvard College in 1952 with an A.B. degree, (cum laude), and earned his Master's degree in Business Administration at the Harvard Business School in 1954. He then served in the United States Air Force for two years and joined Carl M. Loeb, Rhoades & Co. in 1957.

Walton Miller Opens

DALLAS, Texas — Walton S. Miller is engaging in a securities business from offices at 2925 Rosedale under the firm name of Walton S. Miller & Co.

J. B. Hanauer Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Morton M. Tannen has been added to the staff of J. B. Hanauer & Co., 140 South Beverly Drive.

These securities were placed privately through the undersigned with institutions purchasing them for investment. They are not for sale and this advertisement appears as a matter of record only.

JAMES TALCOTT, INC.

$3,000,000 Subordinated Notes due 1970

$1,000,000 Capital Notes due 1970

F. EBERSTADT & CO. WHITE, WELD & CO.

December 29, 1958

The Inflation, Disease and the Cure

By MILAN D. POPOVIC
President, Blue Ridge Mutual Fund, Inc., New York City

Investment company head and economist would deny retirement and profit-sharing funds invested interest in inflation by not allowing them tax free status unless they invested in government bonds. Mr. Popovic expresses concern about the destructive effect on the economy now that almost everyone is aware of inflationary trend; believes his proposal would provide a direct vested interest in dollar's stability and Government's credit for personal reasons; sees larger market for U. S. securities created; and believes old age annuities have no place in a speculative market.

Milan D. Popovic

Inflation is being increasingly recognized as a danger to this country. There is much deploring of it but so far little more than talk is in evidence. Apparently, there is as yet no willingness to come face to face with this serious problem. This review proposes to clarify a bit the issues involved and make some proposals for action which will at least make a start towards arresting the trend, principally through amending the tax laws which now tend to stimulate the inflationary psychology.

At the beginning, it should be stated that inflation in the mild form of the past 15 years was a favorable influence in our economy. It was a stimulant of general business activity. It created confidence in the future values of everything which meant high turnover of money and free buying of all goods, a good deal of it on credit. In addition, it acted as a mild indirect tax on capital helping to diffuse the purchasing power by diverting it from the savers, where it may have lain inert, to the spenders who set the higher pace of business activity. This pleasant stage of inflation is at an end because, to be good in its effect, it must be invisible and generally not recognized. As soon as it becomes universally known, it becomes destructive since no one wants to be the saver when the spenders get all the benefit. It becomes a negative force because it breaks the basic fabric of our economy, that is, the credit system.

For background, it may be good to remember that our great prosperity is based upon the fact that we do things in a big way which, in turn, is made possible by the fact that we pool our small individual financial resources into great aggregations of capital for large scale industry. Most of this pooling is accomplished through fixed money obligations of all kinds. Savings, loans, mortgages, insurance, etc., all are in specific amounts of a unit of money, a common denominator of value. Only a part of capital savings is in equity or venture money (stocks). It is sufficient to point out that practically no construction activity or capital investment would be possible without borrowing of fixed capital funds from the great pools of savings. We have come to the point where purchase of a $20 radio is on installment which, in effect, is financed by someone's savings. Industry and trade is almost entirely conducted by book entries and not by hard cash. Even a dollar bill is a form of credit. It is apparent that this very complicated but highly efficient system involving long-term processes would be destroyed when the basic unit of value declines or at least is uncertain.

We are now at the stage where the evidence shows an increasing amount of people have become aware that the dollar is not what it used to be and that it may go even lower. Some people say quite complacently "inevitably" so. This lack of confidence is a plainly visible fact in many places. The most obvious indications of it are higher exportation of gold and the flight of capital from bonds to common stocks. Figures published recently show that all classifications of holders of U. S. Government bonds are reducing their positions except the government itself and its agencies, such as the Federal Reserve Bank. This is ominous and is a tocsin of danger and a call for action. Our system is endangered from within and not from without. It was Lenin who said that the first step in destruction of democracy is the debasement of currency. This may be a good place to say that those who accept and propagate inflation now are either fools, not informed, self-seeking or subversive.

What can be done to stop this deterioration of confidence in the value of a dollar? The heart of the matter is not deficit financing, credit policy or wage price spiral or other little understood technicalities, most of which are largely effects rather than the cause of the basic problem. The main difficulty is complacency and an acceptance of inflation as something affecting only the other fellow. People should begin to realize that their vital interest lies in protecting government credit and the arresting of inflation. Such knowledge would bring public pressures which would automatically reduce inflationary spending and other collateral effects of inflationary psychology.

Proposes Tax Reform

One approach could be to foster action which would make more people directly interested in the stability of the dollar for personal reasons. We are involved but we don't know it. For instance, all pension beneficiaries, including Social Security, now depend upon the fixed value of the dollar for their current and future retirement income. This fact should be dramatized by appropriate publicity. It is proposed here that all pension plans and future retirement income should be tied directly and visibly to United States Government credit as much as possible not only actually but also in the minds of the people so the finances of the U. S. Government becomes everybody's problem instead of being the concern of only the Washington officials and incomprehensible economists.

This can be done simply by amending income tax laws which now permit setting up of private pensions, retirement plans and welfare and profit sharing funds out of earnings before income taxes. These contributions could be made taxable unless invested in U. S. Government securities. The U. S. managed Social Security retirement funds are also set aside tax free but are mandatorially invested only in U. S. owned bonds. Why should not the private plans which are supplementary to Social Security not be similarly invested to enjoy the same tax exemption when set aside?

All corporation employees are now covered by Social Security trust funds established by compulsorily collected payments from the company and individual employees out of their income before taxes. These contributions are invested in United States Government bonds exclusively. Many companies have private pension plans designed to add to retirement payments above Social Security. These contributions are also tax deductible but their investment is usually left to the discretion of company officials. Part of these funds are increasingly invested in common stocks presumably to offset the loss of purchasing power of the dollar so that the minority of the fortunate employees get possible additional benefit out of inflation by use of tax deductible funds. They, therefore, become directly interested in inflation and do not object to it as strenuously as they should.

With minor variation, the same background prevails in various welfare and profit sharing plans being set up in great numbers by industry. In many such instances, there are other factors which make the present tax free basis more inequitable on a perfectly legal basis. Specifically, if the company sets aside funds before paying taxes for a profit sharing fund to be received on retirement by the employees, it reduces its direct tax liability. It also reduces net income and dividends to owners, in turn, reducing their personal tax payments. Simultaneously, the employees get an interest in a long range investment account which invests tax free money and on which only the lower capital gains taxes will be paid on withdrawal from the plan. This gives an incentive to seek high income and capital gains by speculation in such funds. These are good reasons both in fairness and from revenue viewpoint why they should not enjoy the tax free feature unless invested in government bonds. Excluding Social Security, any private individual can save for his old age only out of income after taxes so there should exist no tax exemption for the private plans and organizations which are, in effect, a special favor.

Sees Beneficial Side Effects

If this proposal were adopted, it would have other side effects upon the economy. On the favorable side, as stated, it would make all pensions, present and future, dependent on U. S. Government credit creating a personal interest for all of us to safeguard it. It would create a large new market for U. S. securities thereby solving the difficult refunding problem now facing the Treasury. It would tend to increase revenues and would automatically resolve the problem of investment supervision of many small welfare funds, principally those of labor unions, some of which are now managed by unqualified persons.

The objections that could be raised to the proposal are that it is compulsory and that capital markets would lose an important source of money. As to the first, as stated, Social Security is compulsory in every way so there is no reason why supplementary benefits should not be as compulsory as to investment since both, in effect, come from the same source, the public purse. The security markets would receive the identical total capital funds but it would be allocated differently. Corporate securities would lose a part which would be gained by the government. Tax free government bonds would not be affected because pension funds do not buy them anyway since they are not interested in their tax free feature. There would, of course, arise the complaint that equity money would be more difficult to raise. In the first place, it should never be raised out of pension funds and, secondarily, anyone wishing to participate in the expansion of industry on an investor basis, can do so by investing personal savings. Old age annuities have no place in a speculative market.

From Washington Ahead of the News

By CARLISLE BARGERON

Carlisle Bargeron

Throughout the last campaign the Democrats professed indignation at the radical charges leveled at them by President Eisenhower and Vice-President Nixon. How could these Republicans possibly say such things, they asked, when their two leaders in the House and Senate were Sam Rayburn and Lyndon Johnson, respectively. Both Texans are men who keep their feet on the ground.

It is a fact that the country's welfare could be entrusted to these two men. But they are two men. By virtue of their leadership they wield power but the pressure can be so great on them tiat they may have to do some things they do not want to. It is an unquestionable fact that a majority of the Democratic Party is radical, a captive of the labor organizations which went all out to put them in power, and who get their intellectual inspiration from the Americans for Democratic Action, a group which receives publicity out of all proportion to their membership. They are mostly formerly office holders in the New Deal, in which capacity they received publicity, and who are now scattered and belong to the ADA as a means of articulation. They are prima donnas, and it is surprising that they can get together on a chairman inasmuch as every one of them thinks he should be chairman. They hang around the neck of Adlai Stevenson like an albatross. Without them, Stevenson may have gotten further in his campaigns because he is a right popular figure, personable and well liked.

They will probably succeed in preventing Stevenson from getting the nomination two years hence. There is no doubt that he would like to make the run again but it is doubtful if he will enter any primaries.

Johnson's and Rayburn's work will be cut out for them next year. The flock of newcomers pretty much all have red in their eyes and together they outnumber any coalition which the Southern Democrats and Republicans can effect. Already there has been some exploring towards the reformation of this alliance which operated so effectively under the late Bob Taft. Not all Southerners can be counted in the conservative school and not all of the Republicans either, for that matter. Split as both sides are, a conservative majority can't be mustered.

Eisenhower's main problem will be his budget. It will be a miracle if Congress doesn't greatly add to it and it is doubtful if he will be able to raise gas taxes and postage rates. Gas taxes, in fact, have become so high that they cost almost as much as the gas itself. The American Truckers Association will lead the fight against this imposition and they have one of the most powerful lobbies in the country.

The National Retail Druggists Association have added to their staff of lobbyists to fight for fair trade laws. These have come into pretty much disuse through the operation of discount houses. The courts of several States have overturned State laws. The druggists will make a fight to tighten them up at this session. Theirs is an uphill battle.

It is impossible to comprehend an Administration that is making a fight on inflation and is always wanting to increase the cost of services. They add to the cost of living. The Christmas card business this year was off because of 4¢ first-class postage, and any number of people whom you would least suspect of such a thing, sent their cards under second-class postage. Economists attribute inflation to nearly everything it seems to me except the one most important and that is high taxes. A $30,000 a year man receives $100,000 so he will have $30,000 take-home pay. High taxes inflate everything.

The Conservatives in 1942 thought they had a ten strike when they passed the withholding tax. Within a few months labor leaders were basing their demands on take-home pay and making the employer pay the withholding tax through increased wages. Even persons in the higher brackets now think of their income, not in the amount they receive, but what they have left after taxes. As a result some fantastic incomes are paid in order that the executive will be fairly compensated.

If this isn't inflationary I would like to know what it is.

Humphrey Applauds President's Proposal For Balanced Budget

Geo. Humphrey

President Eisenhower's proposal for a balanced budget in the coming fiscal year was strongly supported last Dec. 30 by George M. Humphrey, Chairman of National Steel Corporation and former Secretary of the Treasury. "The proposal of the President for another balanced budget now is one of the greatest actions of his entire Administration," Mr. Humphrey stated. "It will lay the foundation for more better and steadier jobs and it will help to hold down the rising cost of living. It is a giant step in the war against inflation. It gives notice to the whole world that this country has the courage and determination to maintain its great economic as well as military superiority."

Now With Hathaway

(Special to The Financial Chronicle)

DENVER, Colo. — George K. Bluh is now affiliated with Hathaway Investment Corp., 1845 Sherman Street. He was formerly with Columbine Securities Corp.

Robert S. Bookman

Robert S. Bookman, member of the New York Stock Exchange, passed away, December 22nd.

Far-Ranging Forecasts for 1959 And Advice for Investors

By ROGER W. BABSON

In a wide-ranging enumeration of forecasts, interspersed with advice for investors, Mr. Babson opines many investors will switch from stocks to bonds in 1959. Recommends, however, that bonds worth holding onto for long term are those that are non-taxable or convertible on a reasonable basis, and that one's portfolio should be well diversified between stocks, short term bonds and cash. The last in case of a sudden, very severe drop in the stock market. Though wrong about what the D-J averages would be in 1958, again offers prediction that they will be lower sometime in 1959 than they are today.

Business in 1959? Not too good and not too bad. Both the boom and the recent recession will be awaiting developments following the recent November elections.

Roger W. Babson

1959 will be a "do nothing" year for Congress. Both parties will hold their cards to their chests until 1960 — when the Republicans will want good business. Most Democrats will vote for most of the inflationary legislation; but only a few of these Congressmen will vote for such legislation over the President's veto. The Democrats will be in a dilemma. In their hearts they will not want good business in 1960; but they must be very careful not to do anything which could be held against them in 1960.

Every act of Rockefeller's and other leading Presidential candidates of both parties will be carefully scrutinized to analyze their vote-getting possibilities for 1960. I will comment on these possibilities in our Forecast for 1960 a year from now.

So long as Russia is fearful of China's loyalty, she will not intentionally start a shooting war. I hope that Chiang Kai-shek will come to his senses so that China will become an ally of the United States. Marshall surely bet on the "wrong horse" when he made his report to Truman.

Our national budget will show a heavy deficit in 1959. This and other factors should cause a continued gradual, although not dangerous, inflation.

Serious competition will continue at all levels in 1959. Manufacturers, merchants, and others who reduce advertising and other selling appropriations will surely suffer.

Despite competition, the profits squeeze will be eased for many concerns by strenuous cost-cutting programs and improving business.

More foreign goods will enter the United States during 1959. This especially applies to German, Italian, Japanese, and Russian goods.

New cargo ships, built in Japan, England, Germany, Norway, Sweden, and Italy, will be launched in 1959. This should result in most American-built and American-registered ships operating at a loss. More subsidies will be demanded.

Failures may not increase during 1959. Some big corporation, now listed in the Dow-Jones Averages, may get in financial difficulties.

Federal cost-of-living figures will be disputed in 1959. Labor rates and wages which have been tied to the Federal Tables will be disputed by both Labor and Management.

On the basis of the above statements, I forecast, on the average, no wide change in 1959 for commodity prices. The recent recession is not over. Russia is still fighting us with an economic war.

There will be more strikes and labor troubles in 1959 that in 1958. Due to fear of unfavorable labor legislation and poor business conditions, labor leaders were on their good behavior in 1958.

It is now difficult to forecast the unemployment situation for 1959. Owing to the increase of automation, working forces will continue to be cut. Looking ahead to the elections of 1960, manufacturers, who are mostly Republicans, will want no more serious unemployment to occur.

Many plans for expansion of plants were postponed during 1958 for fear of a real depression. Some of these plans will be executed in 1959, although on a more moderate scale.

There will be a need for continued economic readjustment in 1959; but the playing of politics by both parties may temporarily postpone it.

1959 will not see any marked change in money rates. However, borrowers who have not established good credit will continue to find it difficult to get new funds in 1959.

This means that it should be more difficult, on average, to sell long-term bonds in 1959 than in 1958. Buy only non-callable serial bonds or bonds of reasonably short maturities.

The supply of non-taxable state, municipal, and revenue bonds will increase during 1959. This will be due both to less readily available credit and to rising needs of municipalities.

The "fly-in-the-ointment" will be the uncertainty of the Federal policy regarding the new $30,000,000,000 roadbuilding program. Will it compete with or protect toll roads recently built? I believe this program will not harm outstanding Turnpike Bonds.

Switch from Stocks to Bonds

Many investors will switch from stocks to bonds in 1959, thus obtaining both higher income and better security.

As inflation becomes more serious, only short-term bond issues—other than convertible bonds—should be held to maturity. Bonds should no longer be considered good "permanent" investments unless thye are non-taxable or convertible on a reasonable basis.

The best investment policy during 1959 will continue to be a well-diversified portfolio — of stocks, short-term bonds, and cash. Every conservative investor will keep one-third of his portfolio liquid, to have funds available in case of a sudden very severe drop in the stock market. This will come some day.

As the 1958 Congress has not accomplished more in correcting abuses in the Teamsters Union, the 1959 Congress will do little to improve the labor situation. Therefore, invest in companies which will not be subject to strikes. Banks and utilities probably are the most nearly immune.

The Taft-Hartley Act will not be amended, nor will labor's exemption from anti-monopoly be removed, until after the 1960 election. Labor leaders will get more and more power until—with Russia's help—they bring on a real depression.

Due to unemployment and the difficulty of borrowing funds for installing automation (automatic factories), the machinery industry will continue quiet during 1959.

I now see no probability that either wages or retail prices will be "fixed" during 1959 unless Russia threatens World War III.

Most wageworkers will be more efficient during 1959, which should enable some managements to increase their productivity and profits.

Executives will attend more strictly to business during 1959, reducing time spent on luncheon clubs, golf. etc.

Good building land on the proper side of growing cities will continue to increase in price notwithstanding a decline in subruban building. Small farmers holding such land should not now sell.

Small farms without any suburban possibilities may well consider selling to adjoining farmers if offered a fair price in 1959.

Large commercial farms with latest machinery should prosper during 1959; but small farmers may not do so well.

Pending a serious war, there will be no radical change in the Government's farm policy during 1959.

Real Estate and Housing

With less fear of serious war, the real estate situation in the larger cities may improve; but municipal taxes will increase.

Some suburban houses now owned by well-paid executives will come on the market in 1959, due to loss of positions or moves to other sections of the country.

Real estate mortgage money will be tighter in 1959 than in 1958. Furthermore, due to inflation, it will be worth less when due.

The demand for motels is largely satisfied; but there will be an increasing demand for very modern apartment houses—especially of the co-operative type. Old houses of all kinds will depreciate during 1959.

Woodland will continue to be in demand during 1959. This especially applies now to pine, which is used for the best lumber, and to spruce, which is used for pulp. Hold woodland in 1959.

More Russian imports of pulpwood may be expected in 1959; but this should largely be offset by the increased domestic demand for cartons and packages for shipping and displaying merchandise.

Both timber and oil reserves of Canada will gradually increase in value. I am bullish on many Canadian and African investments.

The greatest factor in determining the price of city land and businesses in general is the automobile and availability of parking space. This is responsible for both the boom in suburban real estate and the decline of city property. Buying city real estate without nearby parking facilities is a great mistake.

I was wrong in my forecast a year ago as to the Dow-Jones Averages. Although many stocks sell lower today than a year ago, the Dow-Jones Averages — especially the Industrials—sell higher. However, I will again run the risk and forecast that they will sell lower sometime in 1959 than they do today.

Sees Bonds Selling Less

My forecast of the bond market for 1958 was correct. I am inclined now to reverse that forecast in the case of long-term nonconvertible corporate bonds—that is, they should sell for less sometime in 1959 than they are selling for today.

I continue to forecast that high-grade, cumulative, non-callable first preferred stocks will sell higher sometime during 1959 than they do today.

I repeat what I said last year regarding "cheap" stocks: "The large fortunes made in the stock market have come from buying non-dividend-paying common stocks at $5 a share or under. These will be the first to reach a buying level." If you are to buy these low-priced common stocks, you should seek companies without too much prior debt or *cumulative* preferred stock outstanding. They are the best common stocks for "capital gains."

Convertible bonds should hold up fairly well during 1959.

The best investment policy for 1959 is for one now to have a good bank account so funds will be available to buy bargains when a sufficient break comes in stocks, bonds, real estate, and commodities.

There will be many failures in hastily organized electronics, nuclear, and similar companies during 1959.

With two or three exceptions, railroad stocks should be avoided during 1959 and until a definite long-range program of government aid is assured.

For steady income and fair marketability, well-established utility stocks should be the best for conservative investors not looking for profit. This especially applies to cumulative first preferred non-callable utility stocks.

The three handicaps to American business are the fear of inflation, the fear of union labor leaders, and the fear of President Eisenhower's physical collapse.

The three hopes for America are our churches, our schools, and a desire to "pay as you go"! For these to function properly we must depend upon the parents of our nation.

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Domestic Oil Industry's Prospects

By MORGAN J. DAVIS*
President, Humble Oil and Refining Co., Houston, Texas

We are not running out of oil and becoming a have-not nation, Mr. Davis avers in submitting that an aggressive program of exploration and development, plus an efficient use of technology will permit our domestic oil and gas industry to continue to supply a major part of our energy needs for years to come. The Texas oil head breaks down our domestic petroleum supply into current availability, adequacy of future supplies, and ability of the domestic industry to meet increasing requirements at reasonable prices. Concludes the pessimists will err again unless there are unwise state and federal regulatory actions and foolish industry decisions.

As our domestic oil industry nears its centennial, some powerful voices are being raised in what sounds suspiciously like the premature preparation of an obituary. This is nothing new. The same cry that we are running out of oil has been raised many times before. It is surprising, however, that the note of alarm should be sounded at this time when domestic production is restricted so far below capacity by lack of markets.

The concern expressed as to a prospective shortage of oil has a hollow ring to domestic producers, particularly those in Texas. In Texas, most wells have been restricted to 12 producing days or less since October 1957, and there seems to be little prospect of returning to 15 days or more for some years except as the result of some unforeseen emergency abroad. In these circumstances, it is not surprising that many domestic producers should wonder if the alarm about future supplies contains elements of propaganda.

Domestic oil is the nation's principal fuel, exceeding coal in importance by a substantial margin. Natural gas is also a major source of energy which may soon displace coal in second position. All of us have a direct and vital interest in an accurate appraisal of our future prospects for these fuels. The American public has a right, therefore, to expect the leaders of the petroleum industry to provide the most accurate and non-partisan analysis that can be made of current and future availability of domestic petroleum supplies.

An evaluation of our future domestic discovery and production of oil and gas is not an easy task. Past prophecies have consistently underestimated the availability of domestic oil and gas.

In retrospect, it is clear that the pessimists about domestic petroleum supplies have made their major error in assuming that current conditions would continue indefinitely into the future. Such an assumption is as unwarranted today as it was in the past. History shows that ours is a highly dynamic industry—one with continuously changing conditions. As pointed out recently by Thomas B. Nolan, director of the U. S. G. S., the petroleum industry is one of the best examples of the effectiveness of science and technology, and he comments on "the dangers of projecting current trends into what we can be sure will be the changed world of tomorrow."[1] If we are to make an intelligent appraisal of the future we must deal with the dynamics of domestic petroleum supplies with particular reference to the probable impact of technology both on oil currently available and on that still to be discovered.

Current Availability

The first question of immediate public interest is the current availability of petroleum supplies. This question has been asked of the National Petroleum Council several times since 1947, and resulting studies have consistently shown availability from domestic wells increasing at a faster rate than domestic demand. The Council's latest report showed an ability to produce 9,867,000 barrels of crude oil daily as of January 1957.[2] By contrast, the production of crude oil in 1958 will probably average less than 6,800,000, indicating a reserve producibility of not less than 3,000,000 barrels daily. Furthermore, the Council reported that this producibility could be sustained with the drilling of 41,000 to 50,000 wells annually. Since the rate of well completions has been toward the upper end of this range and production has been far below estimated availability, it seems safe to say that current availability is at lest 10,000,000 barrels daily compared with estimated production in October 1958 of about 7,000,000.

It is surprising that representatives of some companies have questioned the official estimates of the Council notwithstanding the fact that their own engineers have participated in these studies.

For the most part, criticism of the NPC estimates of capacity seems to result from the fact that since 1948 availability has greatly outstripped production. Thus, there has been no opportunity to demonstrate that the reported producibility could in fact be achieved or, if called upon, could be sustained for any length of time. Skeptics also point to the fact that the reported total producibility constitutes a higher percentage of proved reserves than the relationship existing in 1948.

At first glance, these ideas seem to have a plausible basis. Unfortunately, however, they reveal a lack of understanding of the conditions that govern producibility and of the methods by which it is determined. An article appearing in the November issue of "Fortune Magazine" is one of the latest to misinterpret the available facts.[3]

The producibility reported by the National Petroleum Council is not a guess. It is a figure resulting from competent engineering studies of individual wells and fields by trained specialists. Conditions have changed since 1948. We have today roughly twice as many producing fields in the U. S. containing in the aggregate 40% more reserves and over 100,000 more wells. These new fields and wells have their own individual capabilities, in no way related to those of previously existing fields. They have contributed materially to the present productive capacity.

Perhaps the greatest of all changes since 1948 is the advance in technological developments. The various factors that have increased the rate at which estimated proved reserves can be produced efficiently were set forth in some detail in the 1957 report on productive capacity by the National Petroleum Council. They include: (1) multiple completion of wells; (2) hydraulic fracturing of producing formations; and (3) water floods, pressure maintenance project and other recognized means of stimulating or maintaining producing rates. The effect of these factors was illustrated in part by the fact that District 3 proved in March 1957 that it could produce at a higher relation to reserves than in 1948 even though prorated wells in Texas were restricted to 18 producing days.

A dramatic example of the type of development that has affected availability is a field in West Texas which is operating with water flood and exempt from shutdown days. North Ward-Estes produced an average of nearly 28,000 barrels daily in 1957—equivalent to an annual rate of production of 14.4% of its estimated reserves of 71,000,000 barrels at the end of the year. By contrast, in 1948, its production of 10,600 barrels daily prior to water flood was equivalent to 7% of the reserves estimated at that time, or less than one-half of the demonstrated rate of production in 1958.[4]

A study of individual fields operating efficiently with modern producing practices supports the conclusion already stated that crude oil productive capacity of at least 10,000,000 barrels daily can be counted upon for some years. Since this is more than 40% above the recent rate of production, it is reasonable to believe that the domestic industry can keep pace with the growth of domestic demand for the foreseeable future unless exploration and drilling are curtailed drastically. Continuation of present percentage depletion is a basic need for this result.

These conclusions are particularly significant in the light of the prospects that domestic petroleum demand may increase in the future at an average rate of only 3% annually, about the same as the long-term rate of growth in domestic requirements for all forms of energy. While petroleum demand has increased at an average rate of 5% per year over a long period, that rate was possible only while oil was increasing its participation in total energy requirements. This rate of increase cannot continue if coal holds the markets it now has in which it has a price advantage and if gas continues to be an increasingly effective competitor for residential and industrial heating.

Future Petroleum Discoveries

The second important question about our industry is the adequacy of future domestic supplies. This subject is one that the public will always find difficult to understand because the figures on proved reserves commonly heard leave the impression that our known domestic petroleum resources will be exhausted within a relatively short period of years. This is particularly disturbing to people outside of the industry and is contrasted with the common belief that coal reserves are sufficient to last a thousand years.

References to coal reserves, however, are usually based not on supplies to be produced by present mines but on estimated "commercial" reserves in place. By contrast, the petroleum industry goes to the other extreme in speaking of its estimated known reserves. Official estimates of the American Petroleum Institute, ably prepared by the Committee on Petroleum Reserves, are restricted to "proved" reserves. These are reserves recoverable at present prices and with presently known technology through wells and facilities in operation although, technically, the estimates include a small increment of undrilled proved reserves. Furthermore, ground rules do not allow the estimation of the effect on a field of secondary recovery and pressure maintenance by fluid injection until the facilities are installed and results demonstrated. As a result, estimated reserves probably average only about one-third or less of the oil in place in fields already discovered.

It is clear, therefore, that our official reports on reserves provide the public with a bare minimum estimate of oil economically recoverable through existing facilities. Those of us who have worked on reserves estimates, know from experience that the actual production from known fields will exceed the presently reported estimates by a substantial margin.

The policy of preparing reserves estimates on the present basis was initiated 22 years ago at a time when the nation's chief concern was to keep books on its inventories of recoverable petroleum rather than to estimate *rates* at which oil could be supplied. The Reserves Committee has done a good job, but there is now a question in the minds of some industry people as to whether this type of estimate, by itself, best serves the public interest since, unfortunately, there seems to be a growing tendency both inside and outside industry to use it as a basis for deciding whether domestic supplies are adequate to meet future needs. This use, of course, has neither been encouraged nor condoned by the Committee on Petroleum Reserves.

If the oil industry were to adopt the methods commonly applied in estimating coal reserves, it too could speak of vast potential resources that make our known reserves look insignificant. Many are familiar with a recent book by Bruce C. Netschert, a member of the staff of Resources for the Future, which stated that there may be 500 billion barrels of crude oil potentially available for future recovery in the United States.[5] This theoretical concept of a "resource base" to which "the industry can apply its ingenuity and science" serves at least to emphasize the inadequacy of reserves estimates based on our traditional rules when used for the purpose of evaluating future supplies. Beyond Mr. Netschert's estimate, we could also add some 500 billion barrels of shale oil and arrive at potential liquid fuel supplied from domestic sources sufficient for hundreds of years.[6]

History warns us not to place too much confidence in our ability to predict the ultimate amount of oil production to be realized in the United States. Nevertheless, such estimates continue to be made, particularly in recent years. Some of these represent no more than a glance into a crystal ball. Others represent projections or calculations based on an extrapolation from the past, and a few constitute serious studies by geologists and other scientists.

Cites Experts

Some years ago. Wallace Pratt, one of the nation's most distinquished geologists, estimated that 100 billion barrels of oil would ultimately be produced in the United States.[7] At that time, his estimate was considered highly optimistic by most of his colleagues, but now his figures are regarded as entirely too low even by pessimists.

Last spring, M. King Hubbert, another outstanding petroleum scientist, made a projection of future oil production in Texas on two bases.[8] Both methods gave an answer of about 60 billion barrels of total recoverable Texas oil with a peak of about 3,200,000 barrels daily in 1962-1965, a rate which had already been exceeded in March 1957. Apparently overlooked in this prediction was the already developed productive capacity in Texas, which has continued to grow to a level now estimated to exceed production by two and one-quarter million barrels daily. If these important considerations had been taken into account, Dr. Hubbert might have concluded that Texas production can continue to rise for 10 to 20 years, notwithstanding his very conservative estimate of ultimate Texas production.

The United States Geological Survey concluded in 1956 that a total of 300 billion barrels as the ultimate reserves of the United States and of the adjoining continental shelves might be a reasonable figure considering significant improvements in recoverability that are now being accomplished or promised in the future.[9]

Unfortunately, all these widely varying estimates or guesses, however well-meaning they may be, leave confusion and even genuine concern in the minds of those unable to evaluate them. Probably in no other field have so many intelligent prophets been confounded. Beginning with the early days of the petroleum industry, forecasts of shortage by otherwise knowledgeable people have come forth at frequent intervals only to fade away before the surprising progress of the industry.

The doubtful value of using estimates of ultimate production in planning for the future is shown by the 1956 estimate of the Chase Manhattan Bank which plotted future crude oil production in the United States on the assumption of an ultimate production of 165 billion barrels.[10] The next year, this same organization had accepted as plausible a *minimum* ultimate recovery of 250 billion barrels.[11] Within one year, the estimate was raised by more than 50%.

Where policy decisions in the public interest are concerned, we would seem to be far better advised to take a critical look at what we can see ahead within a reasonable period of 10 to 20 years. Beyond that, there will no doubt be many variables that are unpredictable now, such as other uses for petroleum and development of other forms of energy. One cannot refrain from speculating as to what volumes of whale oil forward-planning New England whalers in the year before the Drake well may have forecasted as the probable requirements for A.D. 1958!

The American Petroleum Institute and the American Gas Association report estimated reserves at the beginnng of 1958 of more than 30 billion barrels of crude oil, nearly six billion barrels of natural gas liquids, and almost 247 trillion cubic feet of natural gas. The crude oil figures are approximately twice what they were 20 years ago, and close to the peak figure reported at the end of 1956. Since estimated proved reserves have failed to increase much in

*An address by Mr. Davis before the 38th Annual Meeting of the American Petroleum Institute, Chicago, Ill.

[1] Thomas B. Nolan, "Use and Renewal of Natural Resources," *Science*, Sept. 15, 1958.

[2] National Petroleum Council Committee on Petroleum Production Capacity (1957), Sept. 12, 1957.

[3] Charles E. Silberman and Sanford S. Parker, "Capital Goods: The Energy Explosion," *Fortune*, November 1958, page 136.

[4] Reserves from *Oil and Gas Journal.*

[5] Bruce C. Netschert, "The Future Supply of Oil and Gas," published for Resources For The Future, Inc., by the Johns Hopkins Press, Baltimore, Maryland.

[6] United States Department of Interior, Bureau of Mines, "Synthetic Liquid Fuels," July 1956, page 3.

[7] Wallace E. Pratt, "Our Oil Resources," 1950, page 151.

[8] M. King Hubbert, "The Mineral Resources of Texas," April, 1958.

[9] Joint Committee on Atomic Energy U. S. G. S. (McKinney) "Peaceful Uses of Atomic Energy," January 1956, Volume 2, page 82.

[10] Chase Manhattan Bank, "Future Growth and Financial Requirements of the World Petroleum Industry," Feb. 21, 1956, page 24.

[11] Chase Manhattan Bank, "Future Growth of the World Petroleum Industry," April 25, 1957, page 26.

recent years, some people have concluded that the industry can no longer find enough new oil to keep pace with growing domestic demands. This is not believed to be a correct conclusion. In 1958 production from domestic wells will be only 10% higher than in 1951, but number of wells and capacity to produce have increased far more rapidly.

Crude oil production in 1957 with slightly more than two and a half billion barrels with estimated reserves at year-end about 12 times production. Historically, however, the current relation of reserves to production is not a low one but, instead, is about the average the industry has carried during the past 20 years. In 1937, the estimated proved reserves of 13 billion barrels at the beginning of the year were only 10 times production that year; in 1948, they were less than 11 times proauction. n 1958, therefore, we are better off in terms of the relation of reserves to production than we were either 10 years ago, when the industry was worried about a shortage of immediate supplies, or 20 years ago when the industry was worried about reserves being discovered too rapidly.

Another Technique

There is another way of looking at the relation of production to reserves that should help to dispel fears that the United States is running out of oil. At the beginning of 1938, the United States had estimated proved reserves of 15.5 billion barrels. In the next 10 years, crude oil production exceeded 15 billion barrels. Yet, reserves were not exhausted but instead increased to 21.5 billion barrels at the beginning of 1948. In the 10-year period ending with 1957, crude oil production exceeded 22 billion barrels, or slightly more than the known reserves at the beginning. Once again, we find the paradox of producing all we said we had and ending up with more than ever before!

Proved crude reserves at the beginning of this year exceeded 30 billion barrels. Judging by past experience, it seems reasonable that the industry could, within the next 10 years, produce 30 billion barrels, or approximately the equivalent of its present proved reserves. In this case, demand would increase at a rate of little more than 3% annually, or a total of 40% above the 1958 level. We would then end the period with a production of about 3½ billion barrels for the year 1967. If we assume that proved reserves equivalent to nine or ten times annual production in 1967 will support the required producibility at that time, then during the next decade we must add about 31 to 35 billion barrels of crude oil through discoveries, extensions, and revisions or approximately the same amount as was added during the past ten years.

This estimate of new crude oil necessary for the next decade is considerably less than some recent forecasts which assume a 5% annual rate of increase in demand and that discoveries must be one and a half times production. The estimate of the Chase Manhattan Bank that 57 billion barrels of additional domestic crude oil would be necessary, if domestic production is to continue to supply 90% of the nation's oil needs, will probably prove to be incorrect for two reasons. First, demand is more likely to increase at a rate of 3% rather than 5%, for reasons already stated; and second, improvements in reservoir management will permit reserves to be produced more rapidly.[12] These considerations require a rate of additions to oil reserves only slightly higher than that of the past 10 years.

The Crucial Issue Ahead

The crucial issue, then, with respect to future domestic petroleum supply is this: Can the domestic industry realize through discoveries, extensions, and revisions some 31 to 35 billion barrels of new crude oil in the period 1958-1967?

As just mentioned, the upper limit of this range exceeds the new oil added during the past 10 years only slightly. Since drilling is currently at about the average level for 1948-1957, it follows that the required goal can be reached with a level of activity that will not exceed the 1956 peak and, therefore, one that is easily attainable. The only circumstances that could alter this conclusion would be a continued decline in drilling or a sharp drop in new reserves developed per well.

Under the rules used by the Reserves Committee, the bulk of new oil credited in the next 10 years will continue to come from extensions and revisions, with new fields given relatively minor credit in the years immediately following discovery. In view of the large number of fields found in recent years, and revisions that will result from development and application of improved technology to these and older fields, prospects are quite good that estimates of recovery from known fields will be raised within 10 years by 20 to 25 billion barrels. During this period, it is certain that we will also see some important applications of new techniques, such as enriched gas drive or similar reservoir treatment, which may substantially raise estimates of the percentage of oil in place that can be recovered economically. It is still too early to estimate quantitative effects but if those methods work only half as well in practice as in the laboratory, the industry will see surprising increases in recovery. Finally, more orthodox fluid injection methods will be applied to an increasing number of old fields. Paul Torrey has estimated that at least 11 billion barrels of oil may be recovered from presently known fields by secondary projects still to be initiated.[13] During the next 10 years, several billion barrels from this source should be added to the estimates of recoverable crude oil. The sum of all these possibilities for improved recoveries from existing fields might even exceed production expected during the next decade.

Our analysis leads finally to the probable results of exploration activities in locating new sources of supply. Here we must take into account the untested prospects already located as a result of past exploration and other possibilities on some 350 million undeveloped acres currently held under oil and gas leases, as well as the potential of acreage remaining to be leased in future years.[14]

Basis for Optimism

A quick calculation provides the basis for optimism rather than pessimism about future discoveries. On the conservative assumption that only 2% of the 350 million acres of undeveloped leases will produce oil and that the average ultimate recovery per acre will be 5,000 barrels, the recoverable reserves from new fields on this acreage may ultimately exceed 35 billion barrels. There will also be much additional leasing of land and a number of discoveries on new acreage before 1968.

One hears quite often the view expressed that the large fields have already been found and that all we can find today are small fields with thin sands. Those familiar with exploration are aware, of course, that this supposition is not true. The fact is that the industry is continuing to find fields with substantial reserves at about the same rate as in former years. This statement is based on Humble studies of discovery frequency of fields with reserves of 10 million barrels or more. What has confused the picture is that concurrently with the finding of large fields, there has been an enormous increase in the number of small fields found in recent years.

The significance of this situation from the standpoint of future oil discoveries is that the increasing number of small fields has been *in addition to*, rather than *in lieu of*, large fields. These small fields thus represent an added source of supply, a source made available largely through improved technology in both exploration and well completion.

New Oil in Old Fields

The continuing discovery of large fields is not confined to new provinces. Both old and new areas contribute. An example of a major field in an old producing area is the Neches field in East Central Texas, discovered in 1953 after many dry holes had been drilled around it. Another example is the Headlee-Dora Roberts area in West Texas, discovered in 1953-1955. New provinces offer still more intriguing prospects. Offshore Louisiana includes several fields that can already be rated as major, and a number of others that will probably turn out to be quite large. In Utah there is a new major field, or group of fields, although the search there has barely begun. Unquestionably, Louisiana and the Four Corners Area will be credited with substantial increases in reserves in 1958 and in years thereafter. In California, there are known producing structures that still remain to be developed and produced from large offshore extensions. In addition, a number of large untested offshore structures have attracted high bonus bids on the small portions so far offered for lease. In our newest state, Alaska, the commercial search for oil is just beginning, with prospects rated promising by many companies.

An analysis of the outlook for domestic oil discoveries leads to the conclusion that they will keep pace with national needs during the period under discussion. Even a cursory survey with little allowance for improvements in recovery techniques makes it possible to forecast within the next 20 years *minimum* additional supplies of about 70 billion barrels of crude oil alone from known fields and acreage already under lease. Since this is in addition to the present proved reserves of 36 billion barrels of petroleum liquids, the public can be reasonably sure that the United States will not soon experience a shortage of petroleum. If our search for oil slows down, as at present, it is not due to a lack of new prospects but because there is a lessened incentive to continue an aggressive search in view of an already burdensome surplus producing capacity and an uncertain outlook as to future markets for domestic production. Our national policies for the foreseeable future of 10 to 20 years at least, and probably for longer, can, if we choose, be formulated on the basis that domestic sources can continue to supply the same proportions of total demand that they have in recent years.

Adequate Petroleum Supplies at Reasonable Prices

The final question that requires consideration is the ability of the domestic petroleum industry to meet increasing requirements at reasonable prices. A survey of past economic data, which need not be detailed here, shows that petroleum has been reasonably priced to date despite deeper drilling, rising costs of materials and labor, and other factors that have alarmed us about future costs.

Two principal errors account for much of the misconception about the rate of increase in the cost of domestic crude oil in recent years. The first is the tendency to overlook the effect of improved technology in offsetting inflation. The other error lies in the implicit assumption that all exploration, drilling, and producing expenditures are related to crude oil only. Needless to say, industry finding and producing costs must be related not only to crude oil but also to natural gas liquids and natural gas notwithstanding the difficulties involved in the allocation of such costs.

Several other considerations concerning costs deserve brief mention. First, all unit costs are adversely affected by severe restriction of production. At present because of limited markets, the domestic industry is producing only about 70% of maximum efficient capacity, and probably not more than 55% in Texas. Second, we have not been developing reserves as economically as we should. Most of us know that reserves can be developed and produced efficiently in many fields with far fewer wells. With the cooperation of state regulatory agencies, the industry should make rapid progress toward more efficient spacing of wells. Finally, for reasons previously discussed, the application of improved recovery methods on a wider scale must raise ultimate yields beyond current reserve estimates with obviously favorable effects on costs.

Conclusion

In conclusion, I should like to summarize my main points:

First, the United States is not poor in petroleum reserves or resources. Reserves of oil and gas are near the all-time high. We have an adequate working inventory in terms of current requirements.

Second, the current reserve availabiilty of crude oil in the United States is large—more than 3,000,000 barrels per day above present production and is sustainable for many years if the industry continues an aggressive program of exploration and development.

Third, we have a sound basis for reasonable optimism that discoveries and reserves of petroleum can keep pace with increasing domestic requirements for a long period. In the next 20 years, with little allowance for increased recovery due to improved techniques, we can add a minimum of 70 billion barrels of supply, above the 30 billion barrels of crude oil now estimated.

Fourth, the reasonable cost of domestic oil and gas, compared with other sources of energy can be maintained so long as the industry continues its technological progress and is assisted by regulatory agencies to be as efficient as it knows how to be.

In presenting this analysis, I wish to emphasize the necessity of considering the dynamic nature of the petroleum industry in an appraisal of the future of domestic supplies of oil and gas. In my judgment, the past is only a prologue to what still remains to be accomplished.

The prospects for the domestic petroleum industry could be changed drastically, however, by unwise actions by state regulatory agencies, the Federal Government, or the industry itself, on such matters as conservation, percentage depletion, and import policy. It has taken a long time to build the present vigor of the domestic petroleum industry, and such vigor, once impaired, cannot quickly be restored.

Finally, I wish to repeat that it is not in the best interest of our nation or of this industry to underrate either its past achievements of its capacity for future progress. On the contrary, I consider it our duty as citizens and as suppliers of petroleum to present to the American public the clearest picture possible of present and future domestic oil supplies. On that score, it is difficult to see how there could be important differences among us once we have examined the same evidence. The record speaks far more eloquently than I can on the remarkable achievements of our industry. It can only hint, however, at the important technological developments on the threshold of realization. If we can only capitalize on the opportunities ahead, the dynamic tradition of our industry will continue to prevail and our domestic petroleum supplies will contribute to our economic welfare and national security for generations to come.

[12] Ibid, page 20.

[13] Paul Torrey, "Peaceful Uses of Atomic Energy," January 1956, page 81.

[14] Independent Petroleum Association of America, "The Oil Producing Industry In Your State," 1958 Edition, page 5.

Johnston Named Mgr. Goldman, Sachs, Boston

BOSTON, Mass.—The appointment of George L. Johnston as Manager of the municipal bond department of the Boston office of Goldman, Sachs & Co., 75 Federal Street, has been announced.

Mr. Johnston joined Goldman, Sachs & Co., in Boston, early in 1955, after having been associated with the First National Bank of Boston from June, 1951, to February, 1955.

Propp Official Changes

Ephraim Propp, President of Propp & Co., Inc., 400 Park Avenue, New York City, members of the New York Stock Exchange, as of Dec. 23 also became Treasurer. As of the same date Herbert R. Behrens, Vice-President and Treasurer, became Vice-President and Secretary, and Sidney S. Schatz became a Vice-President.

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THE MARKET . . . AND YOU

By WALLACE STREETE

Selective demand rotated through the blue chips to carry the industrial average to successive new, all-time highs in this week's stock market and give the traditional yearend rally a definitely bullish aspect.

* * *

Despite the fact that it was another holiday - shortened week, there was little percautionary lightening-up despite the trading interruptions. And there was plenty of what appeared to be yearend selling to establish profits but it was all well absorbed. At that time of the year the only way to establish profits for 1958 was through next-day and cash sales which dotted the tape liberally.

The Extraordinary Year

It was a powerful finish to a rather extraordinary year in stock market history. The market turned up well in advance of the recovery from the recession for business generally and—if it is still a barometer of business—has been predicting lately not only that the recovery has a long way to go but that it ought to gain speed in the spring.

* * *

Despite the dour business reports of early in the year, the industrial section—which was the shining group of the list — never was in losing ground on the year, although it came close on a February sinking spell. The following month the list turned upward and it was a string of steady advances from there on.

The Momentous Break-Through

There was a momentary bit of caution shown when September—usually considered a dire month—approached. But when no post-Labor Day selling avalanche descended, as it had in the past, the previous peak for the senior average, posted on April 6, 1956, was toppled without anything approaching a struggle. That old peak of 521.05 had been approached several times in subsequent months and years, two attempts coming within a slight fraction of it. Each time there was considerable resistance encountered so it was a bit of a surprise how easily it gave up without a struggle this time.

* * *

Three monthly gains ran around two dozen points for industrials — those of July, September and December. And the only losing month, February, showed a decline of only 10 points. It was, in short, a rousing year for the high grade issues. For the full year the gain ran some 146 points over the final posting of 1957, which more than made up for the 102 points this index lost from the 1956 high to the October, 1957, low. And it did this in far shorter time.

The 1959 Estimates

Estimates of where the average will go in 1959 ranged widely. To the more cautious the average around 580 as the year closed has reached the target area, making it a time of decision. Others are more optimistic and many estimates range to 600 and beyond, the figures being computed from the price-times-earnings levels in other periods of enthusiasm and matched against estimates of 1959 earnings as the recovery continues.

* * *

There is more or less general agreement that the sterling action of the industrials in 1958 carried them to a high level based on actual results for the year and using traditional yardsticks.

Traditional Yardsticks Discarded

It was getting popular in most circles, however, to decry the old yardsticks at a time when the purely arithmetical approach was jumbled by all the concern over inflation, by the heavy inroads made in the supply of stocks by institutional investors and by the reluctance of even small investors to sell out at a profit and incur a capital gains tax liability.

* * *

Whether or not this new thinking is valid, the old measurements didn't curb some of the more buoyant issues during the year, notably Zenith Radio. This company split its shares 2-for-1 early in the year at which time they had reached 150, after posting a year's low around 120. The split shares were back over the 150 line by Fall and above 200 well before the year ran out.

Split Talk Rampant

In the final weeks of the year split talk dominated the conversation and the fact that an issue like Zenith had already been split only months back didn't keep it from being a candidate for a new split.

* * *

The split talk, obviously, was given a hefty impetus when, after years of speculation, American Telephone finally decided to recommend a 3-for-1 split and coincidentally raise its dividend 10% which ended the most famous, but static, dividend of them all. The old $9 rate had been established in 1922 and maintained ever since through boom and depression, war and peace. The new rate, equivalent to $9.90 on the present shares, was also taken as confirmation that inflationary thinking is responsible for many official actions and for the decided preference for equities.

"The Public" Moving in

That the public has been moving into the market in large numbers seems assured. Turnover approached three-quarters of a billion shares for the year which made it the highest in 28 years. The 810 million total of 1930 was, in part, a spillover from the hectic days of 1929 when 1.1 billion shares changed hands. Apart from a 930 million turnover in 1928 which was also part of that frenzied era, the 1958 trading was fourth best in history and far above the 649 million total posted in 1955 to set the peak for modern days.

* * *

While the industrials were the bright spot, the rails were the drag on the general market. They have made no bid to equal even their 1956 high and, in fact, only exceeded the 1957 high by a small fraction. The truth is that they suffered more than most lines in the recession, except for a handful of western roads that had a good lift from non-railroad income and little trouble from the staggering passenger deficits claimed by the eastern roads. Nevertheless, the 60-point improvement posted on the year by the carrier average at the very least was a good bid to accompany the industrials uphill.

The Well-Acting Utilities

The utility section had little to apologize for since their average pushed to levels not seen since 1930. The more than a score of points tacked on in 1958 by this normally slow-moving section was thoroughly respectable. As the defensive section, their 1958 pattern ran a bit counter to the others. Steady progress was made in the bleak early months, followed by a lull in midyear as interest shifted to the more volatile sections. But their final month was also a rousing one, the whirlwind finish giving them a December improvement of around five points for the best monthly showing of the year.

[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 Atlas Securities

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Kenneth A. Thurman has become associated with Atlas Securities, Inc., 6505 Wilshire Boulevard. He was formerly with Bennett-Manning Company.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The First National City Bank of New York, on Dec. 23 announced the appointment of two additional Vice-Chairmen and 12 Senior Vice-Presidents.

DeWitt A. Forward

Alan H. Temple

Appointed Vice-Chairmen were DeWitt A. Forward, formerly Senior Vice-President, and Alan H. Temple, formerly Executive Vice-President. Mr. Forward will continue in charge of the bank's credit policy supervision; and Mr. Temple will continue in charge of the bank's Economic and Public Relations Departments. Richard S. Perkins, Vice-Chairman since December, 1953, continues in that position.

George A. Guerdan, formerly Vice-President and Cashier, was designated Vice - President — operations.

The new Senior Vice-Presidents are C. Sterling Bunnell, National Division; E. Newton Cutler, Jr., National Division; Lewis B. Cuyler, Personnel; Robert G. Fuller, National Division; Robert L. Hoguet, Jr., Special Industries Group, National Division; Leo A. Kane, Bond Administration; Chester R. Leaber, Overseas Division; Frank T. Mitchell, Overseas Division; James M. Nicely, New York Branch Division; George C. Scott, New York Branch Division; Frederick C. Windisch, National Division; and Walter B. Wriston, Overseas Division. All were Vice-Presidents.

Carl W. Desch, formerly Vice-President, Operations Division, was appointed Cashier.

The newly appointed Senior Vice-Presidents with exception of Mr. Kane supervise the major functions in the bank's four principal divisions under the administration of their present heads; J. Howard Laeri, Executive Vice-President, National Division; George S. Moore, Executive Vice-President, Overseas Division; Thomas R. Wilcox, Executive Vice-President, New York Branch Division; and Mr. Guerdan, Vice-President—operations. Mr. Kane is in charge of the bank's Bond Department.

At the same time, the bank named five new Vice-Presidents as follows: Joseph F. Dawson, Stephen S. Eyre, Robert P. Graham, P. Henry Mueller and Kenneth M. Spang.

* * *

Henry G. Barber, Chairman of the Board of the **Royal State Bank of New York,** announced the re-election to the Board of Directors of Julius S. Wikler, Superintendent of Insurance of the State of New York. Mr. Wikler was formerly a Director of the bank and a member of its Executive Committee.

* * *

The Board of Trustees of **The Bowery Savings Bank, New York,** on Dec. 30 announced the election of Morris D. Crawford, Jr. as Executive Vice-President. John M. Ohlenbusch, P. Raymond Haulenbeek and Harry Held were elected Senior Vice-Presidents.

Mr. Crawford, Mr. Ohlenbusch and Mr. Held were promoted from Vice-Presidents and Mr. Haulenbeek from Administrative Vice-President.

* * *

John W. Hooper, President of **The Lincoln Savings Bank of Brooklyn, N. Y.,** announced on Dec. 30 the appointment of Peter M. Sweeney and Rudolph J. Wittine to Assistant Vice-Presidents effective Jan. 1. Mr. Sweeney was formerly Assistant Secretary and Mr. Wittine, formerly Assistant Treasurer.

Mr. Sweeney has been with the bank since 1935.

Mr. Wittine has also been with The Lincoln since 1935.

* * *

Plan of Merger together with Certificate of Compliance of the respective corporations providing for the merger of **Camillus Bank, N. Y.** into **Marine Midland Trust Company of Central New York** under the title **Marine Midland Trust Company of Central New York.**

* * *

Marine Midland Trust Company of Central New York, Syracuse, N. Y., received approval to increase the capital stock from $3,100,000 consisting of 310,000 shares of par value of $10 each, to $3,250,000 consisting of 325,000 shares of the same par value.

* * *

Charles H. Kellstadt, President of Sears, Roebuck and Co., Chicago, has been elected a director of **Chemical Corn Exchange Bank, New York,** it was announced on Dec. 31 by Harold H. Helm, Chairman.

Charles H. Kellstadt

Albert L. Ehinger, Jr. and Robert J. Mangum have also been appointed Assistant Secretaries of Chemical Corn Exchange Bank. Mr. Ehinger is with the bank's Investment Division at 30 Broad Street. Mr. Mangum is with the bank's Metropolitan Division Headquarters, Fifth Avenue and 34th Street.

Other promotions to assistant managers are: Edward T. Barry, William Boyd, Nicholas J. Bulick, Arthur H. Shields and Cornelius J. Westervelt.

* * *

Ebbe S. Ebbeson and Alfred E. Row have been elected Vice-Presidents of **New England Trust Co., Boston, Mass.**

* * *

Charles Beach Barlow has resigned as Assistant Treasurer of the **Worcester County Trust Company, Worcester, Mass.,** to become associated with the investment counseling firm of Douglas T. Johnston Inc., New York, according to an announcement made by Edward L. Clifford, President. The resignation becomes effective on Jan. 12.

Mr. Clifford also announced that the Board of Directors of the Worcester County Trust Company has voted approval of an application for a National Bank Charter. The proposal must also be ratified by stockholders. Action was taken at the Board meeting of Dec. 23. The next meeting of stockholders will be held Jan. 2.

The name of Worcester County Trust Company would be changed to **Worcester County National Bank.** In commenting on the action of the Board Mr. Clifford said, "It is believed that membership in the National Bank system will widen the scope of our national service to the nationwide interests of Worcester business and industry. Present checks and other forms may be used as before."

Worcester County Trust Company, the largest and oldest commercial bank in Worcester County, traces its ancestry to the **Worcester Bank** organized in 1804 by a group of Worcester and Worcester County citizens. It has its roots in more than 20 earlier banks throughout Worcester County—and throughout its history has been activity identified with Worcester and Worcester County history and activities. In 1864 it was one of the first banks to become a member of the new National Banking System and was then known as **Worcester National Bank.**

* * *

First National Bank and Trust Company of Paterson, N. J., will be known in the future as **First National Bank of Passaic County,** if the management's recommendation is adopted by stockholders.

The first official word in this connection is contained in a letter to the stockholders dated Dec. 26, from F. Raymond Peterson, Chairman of the Board. This letter also encloses the notice of the annual meeting of the stockholders to be held on Jan. 27, 1959 at which meeting the proposal to change the name will be voted upon by the stockholders.

Preliminary approval to change the name to First National Bank of Passaic County has been granted by the Comptroller of the Currency in Washington, D. C. The Comptroller pointed out that the change would be allowed since the records clearly show that First National was the first national bank in Passaic County.

At present the bank operates 17 offices, with seven located in Paterson, two in Clifton and one each in Bloomingdale, Pompton Lakes, Mountain View, Preakness, West Milford and the Boroughs of Totowa, Wanaque and Ringwood.

If the change in name is approved at the stockholders meeting on Jan. 27, it is proposed that it will be effective on March 2.

* * *

The First National Bank of Wyckoff, N. J., increased its common capital stock from $100,000 to $150,000 by a stock dividend, and from $150,000 to $200,000 by the sale of new stock, effective Dec. 19. (Number of shares outstanding—8,000 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, 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.

* * *

By the sale of new stock, the common capital stock of the **Union Trust Company of the District of Columbia, Washington, D. C.,** was increased from $2,000,000 to $2,800,000, effective Dec. 16. (Number of shares outstanding — 280,000 shares, par value $10.)

* * *

In a move to increase its capital account, **Ohio Citizens Trust Company, Toledo, Ohio.,** directors have voted to ask shareholders at their annual meeting Jan. 21 to authorize an increase in the number of $20 par value shares outstanding from 82,500 to 90,000.

Directors also voted an immediate increase in surplus of $300,000 which will bring the bank's total surplus at year-end to $2,550,000. If the increase in authorized shares is approved, $150,000 of this amount will be transferred to the capital account, increasing it from $1,650,000 to $1,800,000.

Shareholders of record Jan. 9 will be eligible to vote at the annual meeting.

* * *

The Illinois National Bank & Trust Co. of Rockford, Ill., increased its common capital stock from $1,500,000 to $2,000,000 by a stock dividend, effective Dec. 15. (Number of shares outstanding — 100,000 shares per value $20.)

* * *

The common capital stock of **The Dart National Bank of Mason, Mich.,** was increased from $100,000 to $200,000 by a stock dividend and from $200,000 to $250,000 by the sale of new stock, effective Dec. 18. (Number of shares outstanding—10,000 shares, par value $25.)

* * *

Security National Bank of Kansas City, Kan., increased its common capital stock from $750,000 to $1,200,000 by a stock dividend, effective Dec. 16. (Number of shares outstanding—60,000 shares, par value $20.)

* * *

City National Bank in Norman, Okla., increased its common capital stock from $100,000 to $200,000 by a stock dividend, effective Dec. 17. (Number of shares outstanding—2,000 shares, par value $100.)

* * *

The common capital stock of **The Peoples National Bank of Conway, S. C.,** was increased from $100,000 to $175,000 by a stock dividend and from $175,000 to $200,000 by sale of new stock, effective Dec. 17. (Number of shares outstanding—20,000 shares, par value $10.)

* * *

By a stock dividend the **City National Bank in Wichita Falls, Texas,** increased its common capital stock from $1,500,000 to $1,650,000, effective Dec. 19. (Number of shares outstanding—165,000 shares, par value $10.)

* * *

The common capital stock of **The First National Bank of Farmington, N. Mex.,** was increased from $450,000 to $500,000 by a stock dividend and from $500,000 to $700,000 by the sale of new stock, effective Dec. 18. (Number of shares outstanding—28,000 shares, par value $25.)

* * *

C. B. Stephenson, President of the **First National Bank of Oregon, Portland, Ore.,** announced that the bank will construct a new branch in the northeast section of Portland. This will bring the total of First National branches in Portland to 20, and to 79 in Oregon.

* * *

The Midland Bank, London, England, announces that as from Jan. 1, Mr. John Pryor has been appointed as Representative in New York, in succession to Mr. J. E. T. English who, after five years there, is returning to take up an appointment in the bank in London. For a number of years Mr. Pryor has held appointments in the bank both at head office and important London branches.

Dean Witter Installs Transmitter System

A fully automatic teletypewriter communications system which will cut message time in half and almost double the capacity of the private wire network has been installed for Dean Witter & Co., nationwide investment banking and brokerage firm.

The high-speed system officially went on line when John Witter, partner in charge of operations, sent an inaugural message from the San Francisco, 45 Montgomery Street, main office to New York partner, Austin Brown.

The new system was custom-designed to meet the requirements of Dean Witter & Co.'s 39 office operation. The equipment was installed by the Long Lines Department of American Telephone & Telegraph Company and the plant and engineering department of Pacific Telephone & Telegraph Company. Witter leases the equipment from A.T.&.T.

The San Francisco firm is the first in the investment field to install the Bell System 81D-1 fully automatic communications system.

A unique feature of the installation is the combining for the first time of the Bell System 81D-1 Switching Center with the SCATS (Sequentially Coded Automatic Transmitter Start) System, providing for automatic pick-up and delivery of messages among stations along the lines and eliminating contention for circuits.

Chicago Analysts Spring Schedule

CHICAGO, Ill. — The Investment Analysts Society of Chicago has announced the following program of winter and spring meetings, with guest speakers:

January 8: National Homes Corp., James R. Price, President.

January 15: Midwest Forum—"Ethical Drugs" (Chairman, William Cudahy).

January 29: Aluminium Ltd., D. T. Batholomew, V.-P.

February 5: Middle South Utilities (Invitational) Edgar H. Dixon, President.

February 19: The Mead Corporation, H. T. Mead, V.-P.

February 26: Texas Instruments, Inc., J. E. Jonsson, Chairman; P. E. Haggerty, President.

March 12: Trane Co., D. C. Minard, President.

March 26: To be announced.

April 2: Sunstrand Machine Tool Co. (All Day Field Trip at Rockford.)

April 9: Consumers Power Co., R. P. Briggs, Executive V.-P.

April 23: To be announced.

April 30: Pennsalt Chemicals Corp., William P. Drake, President.

May 7: Lily-Tulip Cup Corp., W. J. Bergman, Chairman.

May 21: To be announced.

With Delaware Company

PHILADELPHIA, Pa. — Robert M. Lynn has been appointed to the research staff of Delaware Company, 3 Penn Center Plaza, investment manager of Delaware Fund and Delaware Income Fund.

Benson B. Sloan

Benson Bennett Sloan passed away Dec. 29 at the age of 91 following a long illness. Prior to his retirement in 1941 he had been a partner in Harris, Upham & Co. He was a member of the New York Stock Exchange from 1899 to 1947.

Six New Partners for Goldman, Sachs

Arthur G. Altschul

John W. Callaghan

Charles L. Grannon

James D. Robertson

L. Jay Tenenbaum

Harold S. Wass

Goldman, Sachs & Co., leading investment banking firm, has announced the admission, effective Jan. 1, 1959, of six new general partners.

The newly appointed partners are Arthur G. Altschul, John W. Callaghan, Charles L. Grannon, James D. Robertson, L. Jay Tenenbaum and Harold S. Wass. Walter E. Sachs, who has been associated with the firm for over 50 years and is presently a general partner, will become a limited partner on the same date.

Mr. Altschul joins Goldman, Sachs from General American Investors Company, Inc., where he is a Vice-President, Secretary and director. He was previously associated with Lehman Brothers.

Mr. Grannon joined Goldman, Sachs in 1945, after his discharge from the U. S. Navy as Lieutenant. A member of the buying department at Goldman, Sachs, he was recalled to active duty with the Navy during the Korean conflict and was discharged with the rank of Lt. Commander.

Mr. Callaghan joined Goldman, Sachs in 1924, and is presently Manager of the syndicate department.

Mr. Robertson joined the firm in 1946, and has been in new business development since 1951. He served in the U. S. Army during World War II and was an aide to General George C. Marshall, Chief of Staff.

Mr. Tenenbaum became associated with the firm in 1953, after being affiliated with a firm in St. Louis for several years. During World War II he served in the U. S. Army and was discharged a 1st Lieutenant.

Mr. Wass came to Goldman, Sachs in 1941, from the firm of Weil, McKey, Pearson & Co., in Boston, of which he was a partner. He is currently Manager of the commercial paper department at Goldman, Sachs.

Columbia Gas System Secondary Offered

Carl M. Loeb, Rhoades & Co. and Merrill Lynch, Pierce, Fenner & Smith headed a group yesterday (Dec. 31) which publicly offered 673,299 shares of Columbia Gas System, Inc. common stock (par $10) at a price of $21.75 per share.

The shares are being sold by the group as selling stockholders and none of the proceeds from the sale of the stock will accrue to the company.

The Columbia Gas System is primarily engaged in the production, purchase, storage, transmission and distribution of natural gas.

Participating in the group are: Glore, Forgan & Co.; Goldman, Sachs & Co.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Ladenburg, Thalmann & Co.; Lazard Freres & Co.; and Wertheim & Co.

Carter Co. to Admit

Carteŕ & Co., 26 Broadway, New York City, members of the New York Stock Exchange on January 1st will admit Thomas W. Cullen, Jr., member of the Exchange, to partnership.

James A. McAlvanah, member of the Exchange, will retire from the firm December 31st.

Hooker & Fay to Admit Partners

SAN FRANCISCO, Calif. — Hooker & Fay, 221 Montgomery Street, members of the New York and Pacific Coast Stock Exchange, have admitted Hodge H. Davidson, John T. Raggio, John Redington, Daniel W. Sisson and Harold J. Samson to partnership effective Jan. 1.

Edward C. Henshaw retired from partnership in the firm Dec. 31.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes: Eugene Rosenfield and Leslie G. Schoenhart, Sr. will retire from Stearns & Co. December 31st.

John B. Fowler, Jr., will withdraw from limited partnership in Winslow, Cohu & Stetson on December 31st.

Edward S. Amazeen will withdraw from Coffin & Burr Incorporated December 31st.

Edward C. Henshaw, general partner in Hooker & Fay will become a limited partner January 1st.

Harry C. Clifford, general partner in Kidder, Peabody & Co., will become a limited partner January 1st.

John E. Cameron, general partner in William R. Staats & Co., will become a limited partner, January 1st.

Monetary Policy and Problems In Recession and Recovery

By ELIOT J. SWAN*

First Vice-President, Federal Reserve Bank of San Francisco

San Franciscan central banker observes that the present stage of the upturn poses the delicate problem of adapting monetary action so as to encourage sound recovery without encouraging expectation of inflation. After presenting a brief review of what monetary action has accomplished and, also, indicating why we cannot rely exclusively on it, Mr. Swan warns against compromising with inflation, finds it is not necessarily an alternative to depression, and casts a skeptical eye at proposals for selective lending rates for favored borrowers and direct controls over wages and prices. He concurs in the continual need to explore ways to improve our economy's operations and the part played by the credit system, but holds that flexible, indirect credit controls are prerequisites for a free economy.

The objective of monetary policy, stated broadly, is to promote monetary and credit conditions that will contribute to high levels of business activity and employment, to maintain stability of the dollar, and promote sustainable growth in the economy. These are not, in my opinion, unrelated or contradictory aims. Without reasonable stability of the dollar, we will not over the longer run be able to achieve sustained economic growth at high levels of business activity.

Eliot J. Swan

Currently we are in a period of recovery from the 1957-58 recession, which was the third such downturn in the postwar period. Since World War II, the economy has been fortunate enough to avoid—so far—a really severe and prolonged depression. The declines in 1948-49 and 1953-54 lasted less than a year, and the recent downturn, which began in the fall of 1957 and which was somewhat sharper than the other two, reversed itself abruptly in the late spring of this year. I should like to review briefly some of the developments during this latest recession and recovery, with specific reference to money and credit markets, as a background for some general reflections in conclusion.

Presents Brief Review

In the fall of 1957, three years of recovery and boom came to an end. Plant and equipment expenditures of business, which had more than taken up the slack from the loss of momentum in the housing and automobile markets in 1956, could not be sustained at the record levels of mid-'57, and a general downturn got under way. Credit restraint was succeeded by credit ease. The Reserve System promoted easier credit conditions through discount rate reductions, which carried the rate paid by member banks for borrowing from the Reserve banks from 3½% in November to 1¾% in April, by a reduction in stock margin requirements in January, by significant reductions in reserve requirements of member banks in February, March and April, and by open market operations (that is, the System's purchases and sales of Government securities in the market) that provided substantial additional reserves to the banking system.

I would like to emphasize that open market operations are the principal monetary measure or credit control used by the Reserve System. By buying or selling Government securities, the System can increase or reduce, at its own initiative, the reserves of member banks. Other factors affect member bank reserves also, but it is the ability literally to create bank reserves by extending credit that is the basic and distinguishing characteristic of a central bank. And these reserve dollars are high-powered dollars, since with fractional reserve requirements, one dollar in reserves will support a multiple expansion in bank credit and bank deposits.

As a result of the lessening demand for and the rising supply of credit, interest rates fell markedly. Long-term rates in the securities markets went down rapidly through January, and then fluctuated within moderate limits. Short-term money rates fell dramatically throughout the first half of 1958, going from a high of 3.633% in September, 1957 to below 1% in May, 1958. Banks were able to utilize their additional reserves both to reduce their borrowings from the Reserve banks, which were brought down from a high of over $1 billion in 1957 to $100 million by mid-'58, and to increase substantially their holdings of Government securities, so that the money supply expanded significantly during this period of credit ease.

Speculation in Governments

In June and July, however, expectations of further declines in interest rates (or of further price increases in Government securities) led to a substantial amount of speculative holdings of Governments. Such expectations were ill founded, however, since they collided with increasing evidence of a basically improving business situation, a recognition of the large amount of Government financing necessary in the months ahead, and with a worsening of the international situation, especially in the Middle East last summer. The result was a shakeout in June of such speculative holdings, with some fall in Government security prices. This was followed by a more serious situation in late July, intensified by a large volume of thinly margined loans, arranged largely outside the banking system, for the purchase of Governments. Government security prices fell sharply and both the Treasury and the Federal Open Market Committee found it necessary to afford direct support to tne market by substantial purchases of issues under pressure. The price declines in the Government market carried over to the corporate and municipal markets as well.

The summer saw, then, a rather abrupt swing in the financial markets from over-expectations of further declines in rates to renewed expectations of inflation, and a growing preference for stocks as compared to bonds appeared. Stock market activity, involving increased use of credit for stock purchases, led to two increases in margin requirements, first from 50 to 70% and more recently to 90%. The System's policy of monetary ease was moderated, as reflected by a somewhat less easy bank reserve position, and by an increase in the discount rate from 1¾ to 2%, initiated in August by the Federal Reserve Bank of San Francisco. As short-term money rates rose further, the discount rate was increased a few weeks ago to 2½% to keep it in line with rates in the money market.

Present Money and Capital Markets

With considerable demand outside the banks for short-term securities, the money market, though tighter than a few months ago, is considerably easier than it was during the period of credit restraint in 1957. Rates in the capital markets, however, have returned to levels much closer to their 1957 highs, although there has been some evidence of a leveling off in the past month or so. This difference appears to reflect primarily the continuing corporate, municipal, and mortgage demand for long-term funds, along with the prospects of substantial further Treasury borrowing and perhaps still some general hesitation by some investors about commitments of funds through the purchase of long-term dollar obligations. There seems to be, however, no significant indication currently of inflationary psychology reflected in business and consumer intentions to spend for plant, equipment, inventories, and durable goods.

What of monetary policy, then, in these past 12 to 14 months of recession and recovery? All of the measures available to the System were utilized to ease the credit situation in late '57 and early '58, and, certainly, a climate favorable to recovery, with increased liquidity throughout the economy was created. Many other factors, both public and private, contributed to the turn around in business activity, but I believe it is fair to say that monetary policy made a significant contribution—first by dampening the excesses of the 1956-57 boom, which otherwise might have led to a considerably longer and more severe downturn, and second, by the steps taken during the recession that helped to increase the availability of and reduce the cost of credit, not only bank credit but credit in other sectors of the market as well.

The Delicate Problem

The upturn, coming as sharply as it did, and with the prospect of a much larger Federal deficit this fiscal year than last, has posed the delicate problem of adapting monetary policy actions so as to encourage the processes of sound recovery without at the same time encouraging expectations of inflation that might lead to an unsustainable speculative upswing that, in turn, would sow the seeds of another, and possibly more serious, downturn. So far, the moderate reduction in monetary ease of the last few months has not discouraged a growing and broadly based recovery. A somewhat greater degree of price stability seems to have emerged, at least for the present, but the problems on the one hand of unemployment, and on the other of a possible renewal of inflationary pressures in the months ahead are still with us.

On the basis of this experience, I would like to prseent a few more general propositions for consideration. First, may I emphasize what may be obvious about the nature of the System's monetary and credit controls. Except for the authority to set margin requirements, the System's powers are general credit controls over bank reserves. By increasing or tightening the lending capacity of banks, the Reserve System can influence the supply, cost and availability of credit extended by banks, and, indirectly, the credit extended by other lenders, without interfering directly with the decisions of thousands of individual lenders and borrowers. These are measures consistent with an enterprise economy, in which most of the decisions regarding the employment of funds and resources are made through and directed by market processes. Also, monetary policy decisions are flexible. Unlike tax and expenditure policy actions, they can be modified or reversed promptly when circumstances require.

Questions Direct Controls

Second, when real inflationary pressures are present, so that credit expansion and rising spending will be reflected in higher prices if they are not curbed, the alternative to general controls should be clearly recognized. The alternative is the reliance, to a greater or less degree, upon a network of direct controls over various types of lending, or over prices and wages, or both. It is most doubtful that you want to try to achieve stability via such a road, or that, barring a national emergency in which there is substantial public agreement as to priorities in the production and use of specific types of goods and services, such controls could be effective over any extended period. If particular political or economic groups have enough power to withstand one form of discipline, it is not likely they will submit to another.

This is not to say that individual measures seeking to influence the flow of funds and the terms of their use in particular areas cannot be effective in some degree. Housing finance affords an excellent example of a variety of such efforts. By assuming a considerable share of the risk through VA guarantees and FHA insurance, the Government has undoubtedly succeeded in making mortgage money available with longer maturities, lower down payments, and lower interest rates than would otherwise be the case. However, the attempt to protect the borrower via interest rate ceilings has at times simply limited the availability of mortgage funds, depending upon the attractiveness of competing demands. That is why I used the word "network" of controls advisedly. There is enough linkage among the various sectors of the money and capital markets so that they simply cannot be completely atomized or fragmentized.

Opposes Selective Lending

When demands are pressing upon actual productive capacity, so that prices tend to rise, a situation making general credit restraint appropriate, there are always difficulties confronting some borrowers—if restraint is at all effective—and the objectives of such borrowing are often worthy ones. More houses, more schools, more and easier credit for small business, lower rates for Treasury borrowing so as to reduce the burden in the budget of interest charges—all of these are desirable in and of themselves. But more funds cannot be made available at lower rates for any one class of borrower without making more money available at lower rates to all other borrowers as well—unless other demands are restrained by direct controls or unless Government is prepared to lend in particular areas, at less than market rates, funds which are obtained either from taxes or from the Treasury's own borrowing in the market. Regardless of how it is done, it is never convincing to the group whose share of the credit pie is being reduced, to point out this is necessary in order to increase another group's share.

Another point of view is that, while uncontrolled inflation must be avoided, some small degree of controlled or creeping inflation is necessary, at least as a lesser evil, in order to maintain a high and expanding level of business activity, employment and income. On this problem alone, let me make one or two assertions. First, is the obvious one that even at, say, 2% a year, dollar depreciation becomes substantial in a rather short span of years. Second, if it is assumed to be impossible to achieve adequate production and employment with reasonably stable prices, it would seem to be equally reasonable to assume that it is impossible to keep prices from rising faster than at any fixed rate. If everyone becomes convinced that prices are certain to rise, whether at an annual rate of 1, 2, or 3%, their actions in response will simply tend to accelerate the rise, so that it is most doubtful that there is a real choice between unemployment and mild inflation. In any event, inflation and depression are not necessarily alternatives. It is inflation itself that contributes to the distortions, imbalances, and inequities in the economy, and could lead to a serious downturn. Rather than being an alternative to inflation, depression is much more likely to be the consequence of it.

Let us also not lose sight of the fact that some fluctuation in overall activity is bound to occur in a dynamic market economy, if the kinds of goods and services being produced are to change in response to changes in the demands of its members, as expressed both individually and collectively through Government, and if new products and processes are to be made available. The critical problem, which is now generally recognized as a responsibility shared by Government, is to keep such fluctuations within tolerable limits.

To accomplish this, I am certainly not proposing that we rely exclusively upon monetary policy. There are many factors over which monetary measures have no direct influence. Fiscal and debt management policies of Government, price and wage decisions of business and labor, business and consumer decisions as to types of spending and saving are of fundamental importance, and their inflationary implications, if they are so oriented, may be difficult, if not impossible, to counter via monetary measures. Yet the influence of monetary policy upon the climate in which these decisions are made is by no means negligible. I would readily recognize, too, that the application of monetary measures is not always precise or immediate in its effects. Also, those who apply them are not infallible. There are time lags and offsetting factors involved which are often difficult to assess, even with the best available economic intelligence. But other controls afford no escape from such problems. Certainly we need continually to explore the possibilities of improving the operation of our economic system and the part played by the credit mechanism, particularly seeking to minimize the waste and suffering of unemployment, as well as the inequities and distortions of inflation, but the flexibility and indirect nature of general credit controls are of real advantage in the battle against both inflation and depressioin, if we want to maintain the essential framework of a free enterprise economy.

In conclusion, I would remind you of your stake in constructive solutions to these problems. Obviously, if your savings and loan institutions are to continue to prosper, you must be able to operate in an economy in which expanding employment and incomes will support a demand for new

*An address by Mr. Swan before the Business and Economic Trend Forum, Annual Convention, United States Savings and Loan League, San Francisco, Calif.

mortgage money, as well as assure repayment of your mortgage loans outstanding. But your institutions are borrowers as well as lenders—you must also be able to operate in an economy in which people are willing, as well as able, to save, and in which they are willing to hold a substantial part of their savings in dollar claims. Shares in savings and loan institutions, like time deposits and other debt obligations, both public and private, cannot maintain their attractiveness to savers and investors in the longer run if we surrender to inflation. Although inflationary pressures may not be dominant at the moment, we should remember that to comprise with inflation is to surrender to it. For its efforts to be most effective, the Federal Reserve System needs both informed understanding and intelligent criticism.

Samuel Phillips Co. New Partnership

PHILADELPHIA, Pa. — Announcement is made of the formation of a new partnership consisting of Samuel K. Phillips, Jr., Harry L. Heffelfinger, Edward J. Phillips and Ralph T. Harker to carry on the investment securities business of Samuel K. Phillips & Co., 1500 Chestnut Street, under the same name.

Samuel K. Phillips

H. L. Heffelfinger

Edward J. Phillips

Ralph T. Harker

The firm of Samuel K. Phillips & Co. was founded in 1904 by the late Samuel K. Phillips, father of Samuel, Jr. and Edward, to engage in an investment and brokerage business of listed and over-the counter securities. The firm's offices are located at 1500 Chestnut Street, Philadelphia.

Samuel K. Phillips, Jr. has been active in the investment securities business for the past 30 years; has been associated with Samuel K. Phillips & Co., since 1930 and a general partner in the firm since 1939.

Mr. Heffelfinger joined Samuel K. Phillips & Co., in 1921 and became a general partner in the firm in 1939.

Edward J. Phillips, who is a member of the Philadelphia-Baltimore Stock Exchange, has been associated with the firm since 1927 and a general partner since 1939.

Mr. Harker has been associated with the firm of Samuel K. Phillips & Co., since 1918.

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Bernard E. Mervel has joined the staff of Dempsey-Tegeler & Co., 210 West Seventh Street, Mr. Mervel was previously with Daniel D. Weston & Co., Inc.

Urges End of Ban on New York Bank Holding Companies

New York State legislator favors additional bank holding companies in his state. Charging that the present legislation discriminately favors the Marine Midland Corp., State Senator Pierce would allow present anti-bank holding company freeze expire on May 1 and substitute positive regulation covering the formation and expansion of bank holding companies. Believes this should receive priority over proposals to enlarge New York City banking districts though, he adds, his Committee agrees realistic geographic limits must be set, too, in order to permit wider branching powers in the down-state metropolitan area.

The following is a statement by Senator George H. Pierce (Olean Rep.) of the New York State Legislature and Chairman, Joint Legislative Committee, to revise the New York State banking law.

With the approach of the 1959 legislative session, a statement by the chairman of the Joint Legislative Committee to revise the banking law seems both appropriate and timely.

Sen. G. H. Pierce

The Committee was established in 1955. At that time, I noted that the New York State Banking Law had not been revised since 1914, and questioned whether a law, enacted 41 years ago, was still adequate in a field which had changed so fundamentally as had banking in those intervening years.

The Committee studies have been devoted largely to questions of branch banking, district lines and holding companies. Committee actions have been influenced by the enactment, in May 1956, of the Federal Bank Holding Company Law, which provides for Federal regulation of bank holding companies. Seven months after the passage of this act, the First National City Bank of New York filed an application with the Federal Reserve Board, seeking permission to establish a new holding company in New York State. This holding company was to acquire the First National City Bank and its affiliate, City Bank Farmers Trust Company, both in Banking District No. 2, and County Trust Company of White Plains in Banking District No. 3.

In the absence of state laws regulating bank holding companies, the Legislature, in 1957, enacted a temporary measure prohibiting such companies from acquiring new banks across district lines. This stop-gap legislation, the so-called "freeze," was intended to give the State time to formulate long-term policy on bank holding companies. In July of this year, the First National City Bank application was finally denied by the Federal Reserve Board.

Accords Priority

In submitting recommendations to the Legislature at this time, the Committee is obliged to give first consideration to issues that are state-wide in scope, such as holding companies, rather than issues at the local level, such as district lines. The time has come for long-term policy to be determined. The function of the State is to bring the best possible banking to its people. It is not the function of the State to protect any special interest.

I believe that the stop-gap "freeze" on bank holding companies serves no further useful purpose. In its place, the enactment of legislation to regulate the formation and expansion of bank holding companies in our State should be considered. Such legislation will enable the State to continue to exercise its authority over banking development in our State, and thereby avoid abdication of its powers to the Federal Government. It is the Committee's conviction that we must maintain the traditional balance between Federal and State supervision of banking.

Moreover, as a practical matter, we must face the fact that we have only one State-wide bank holding company operating across the State. Marine Midland Corporation owns 13 banks with 164 offices in 88 communities. This holding company, established in 1929, has proved beneficial to the State. It would be unwise and unjust to penalize Marine Midland by forcing dismemberment or divestment.

Says Freeze Favors One Bank

On the other hand, the State must not give undue advantages to any one bank, class of banks or bank holding company. Today the "freeze" serves to prevent all others from entering the field; yet it allows the one, already statewide holding company, to expand, through mergers and acquisitions by its subsidiary banks. To stifle competition is intolerable and is in violation of the State's long-established policy against monopoly. We must promote conditions which will enhance banking's vitality and remove those that will deaden it.

The fact that primary consideration is given to the statewide problem of bank holding companies in no way lessens the importance of the pressing question of wider branching powers in the downstate metropolitan area. The Committee recognizes that the geographical limits established years ago today are no longer co-extensive with the social and economic areas which have since evolved and which give every indication of further expansion.

The Committee is acutely conscious of its responsibility to the public. We are ever mindful of the need to protect the public interest with adequate safeguards against undue concentration of banking assets and possible tendency to monopoly. In seeking to achieve this goal, the Committee acknowledges with thanks the co-operation it has received from the many bank and non-bank sources.

The question of changes in banking districts, branch banking and other matters is highly controversial, and it is extremely doubtful that any legislation can be adopted which will be satisfactory to all of the banking interests.

Since 1955, when the Committee to Revise the Banking Law was established by the Legislature, approximately 125 important changes have been made in the banking laws of this State. Most of these changes were approved by the Banking Department, the New York Clearing House, and by the various banking organizations.

The Committee had planned to have proposed amendments to the Banking Law ready for introduction as soon as the 1959 Legislature convened, but due to the fact that there may be changes in the personnel of the Joint Legislative Committee to Revise the Banking Law, I feel that this matter should rest pending such changes in the personnel of the Committee.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

More notes of interest to holders of insurance stocks:

Affiliated Fund—As of Oct. 31, increased insurance stock holdings from .97% of net assets to 1.24%. Large holdings include Fireman's Fund, Great American, United States Fidelity & Guaranty. A good list.

Northern Insurance, one of the quite few companies to issue a quarterly income account, reports for three quarters ended Sept. 30 an underwriting gain of $296,000 versus a loss of $1,367,000 a year earlier. Bearing in mind that in underwriting 1958 will be another "sour" year for the fire-casualty industry, this may well be rated as a good showing. Premium volume was down moderately from $29,916,000 to $29,117,000: Investment income was higher, $1,333,000, against $1,192,000 in the 1957 nine months. The $4,526,000 gain in investment value compared with a debit of $2,122,000 a year earlier. Not a bad showing by a company that has been doing considerably better than the industry. Liquidating value was higher at $131.32.

American Re Insurance has proposed a 25% stock dividend.

Stockholders of **Insurance Company of North America** are to vote on March 18 on an increase of capital from the present $30,000,000 to $50,000,000.

In the merger of **Columbian National Life Insurance Company of Boston** with **Hartford Fire Insurance,** Second Bank State Street Trust Company has been made the exchange agent.

Hartford Fire's semi-annual report showed a sizable underwriting loss, $9,799,000, compared with a loss of $6,665,000 in the 1957 first half. Premium volume was over 10% higher than in the earlier period. Investment income in the period was $10,731,000 versus $9,968,000. Net income was $1,048,000 against $1,620,000.

It must be remembered that in a case such as this, the underwriting deficit enables the company to escape income tax on underwriting operations, whereas much of the income from investments is taxed at only 7.8%. This is because dividends of domestic corporations are taxed only to the extent of 15% of dividend income, the rate being, at present, 52%. This is why Hartford's income tax reserve for the half was only about $80,000. Liquidating value of the shares at June 30 was $148.33 compared with $138.47.

Securities holdings appreciated some $25,612,000, whereas in the 1957 half it was $2,435,000. Not too much weight should be attached to this item in an insurance company income account; securities holdings, of course, move up and down with the markets in stocks and bonds. But as insurance companies do comparatively little in-and-out trading in their holdings, valuation changes are not too important. Under extreme and severe economic conditions, of course, they have a devastating effect on liquidating values, as at the bottom of the depression of the 1930's.

On the basis of Oct. 31 data, **Investors Stock Fund** reported an increase of from $19,257,000 to $31,415,000 in the valuation of its insurance holdings, although on a percentage basis the change was minor.

Almost the same condition held at Oct. 31 for **American Mutual Fund,** relatively. Also **Keystone Custodian Fund.** The latter's holdings are two of the top grade life stocks.

Fire losses for October were almost the same as for September, but lower than for October, 1957, by about 5%. For the 12 months through Oct. 31, the later period shows losses totaling $1,051,045,000, compared with $1,033,316,000, 1958 being only about 2% above the earlier period. The trend in fire losses has been showing slight improvement; but a billion is too high a figure even for our economy.

Brief data for **Glens Falls Insurance** show the company's 1958 underwriting loss to have been only about half of that for the nine months ended September a year earlier. Investment income was sufficient, more than to offset the underwriting loss and leave a net of about $443,000.

New Hampshire Fire, in the same nine months, reported an underwriting loss of $2,027,000, compared with $787,000 in the 1957 quarters. As the company's investment income was not large enough to offset, it wound up with a net loss of $179,000. This gives no effect to the stockholder's equity in the change in the unearned premium reserve, which would have reduced the net loss to about $17,000. There was a sizable gain in investment value.

Agricultural Insurance Company of Watertown, N. Y., is to absorb **Empire State Insurance Co.,** an affiliate.

A subcommittee of the House of Representatives Ways and Means Committee is to go more fully into the matter of taxing the income of life companies. These companies have been operating under a sort of stop-gap arrangement that, in effect, came out to 7.8% of income from investments. Legislation continuing this arrangement will have to be enacted if, under the old law preceding the stop-gap, the tax bill of the life companies is not to be much heavier. The subcommittee has already started preliminary hearings.

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An All Out Drive to Amend the Fair Labor Standards Act

By GEORGE MEANY*
President, AFL-CIO

Organized labor "will not be deterred nor halted by . . . hypocritical attacks" of Socialism in driving for $1.25 hourly minimum wage and coverage of 20 million still exempt from the Fair Labor Standards Act. In making this assertion, Mr. Meany states this is being done for unorganized, not organized labor as another progressive step for the United States, and that it will affect giant merchandising firms, hotel chains, telephone companies and laundries — not "Mom and Pop" small businesses.

George Meany

Twenty years ago, a new concept was written into the law of our land. For the first time in American history, our Government established a floor for wages and a ceiling for hours, along with a legal prohibition against child labor in industries engaged in interstate commerce.

We celebrate the anniversary of the Fair Labor Standards Act at this time because of the great humanitarian benefits it has brought to the people of our country during the past generation.

As we look back now, in the light of experience, and survey the unchallengeable economic gains derived from the operation of the Fair Labor Standards Act—not only to under privileged workers and their families, but to industry, agriculture and our whole nation—it seems fantastic that the opposition to this law should have been so bitter and unyielding.

And it seems equally inconceivable that even today powerful forces are arrayed against further and clearly necessary improvement of this law. They are still totally unreconciled to the basic philosophy underlying the Fair Labor Standards Act — that the Government has a direct responsibility and obligation to enact laws to lift up the conditions of its people, that the establishment of minimum standards of decency in industry is a vital step to protect the economic health of the entire nation.

Cites "General Welfare" Clause

Yet that responsibility and obligation are firmly embedded in our Constitution. The preamble to the Constitution states that one of the principal objectives of the Federal Government is "to promote the general welfare." And in a later section Congress is specifically given authority to enact laws "to promote the general welfare."

It is true that our Government, in the formative years before we became an industrial nation, was painfully slow in taking action to promote the general welfare. So slow, that President Andrew Jackson, a hundred years before the New Deal, said:—"When the laws undertake to make the rich richer and the potent more powerful, the humble members of society—the farmers, the mechanics and laborers—have a right to complain of the injustices of their Government."

A century later, President Franklin D. Roosevelt echoed the same philosophy when he declared:—"The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little".

Under the impact of America's worst depression and under the leadership of Franklin Roosevelt, our Government undertook in a broad way to implement the general welfare clause of the Constitution.

Many of our young people today may find it difficult to believe that twenty-five years ago there were no Federal laws providing for Social Security or unemployment insurance, or public housing or bank deposit insurance — to cite just a few examples. It was only twenty-three years ago that the right of workers to organize into unions of their own choosing was guaranteed by the Wagner Act.

And in 1938, a Federal law was enacted which held it would be unlawful for major inter-state industries to pay workers less than 25 cents an hour, or to enforce a work-week of more than 44 hours without paying overtime, or to employ children under the age of sixteen.

When the Government took this step, and when the Supreme Court held it had a Constitutional right to do so, the original philosophy of our founding fathers—that this Government was designed to promote the general welfare—was given practical implementation by law.

We in the trade union movement, regard the "general welfare" philosophy of the Constitution as the essence of true Americanism.

Our opponents — those who fought the enactment of the Fair Labor Standards Act in 1938 and still are bitterly resisting its modernization — call it "Socialism".

Just what does the term "Socialism" mean? I confess it is used by so many contrary-minded people for such conflicting purposes that it becomes virtually impossible to understand. The leaders of the Kremlin call their reign of terror and exploitation of the people "Socialism". Narrow-minded reactionaries in this country call the mere building of badly needed schools for our children by the Federal Government "Socialism".

Subsidy Recipients

Was it "Socialistic" for our Government to subsidize the railroad industry so that our country could be expanded and developed?

Is it "Socialistic" for our Government to provide subsidies for big shipping interests so that we can have an adequate merchant marine?

Can the subsidies paid by the Government to the airlines, which have helped to build up a transportation system that serves the nation in time of war and peace, be denounced as "Socialistic"?

Is it "Socialistic" for our Government to pay billions of dollars to build a floor under farm prices?

We in the trade union movement do not think so. We regard these activities as worthwhile investments of Government funds —our own funds—to strengthen our nation and safeguard its economy. And most businessmen will agree.

Then if it is not Socialistic to develop and advance the material resources of our country, why is it Socialistic to protect the human resources of America?

Why is it "Socialistic" for the Government to provide a free pint of milk and school lunches for impoverished children?

Why is it "Socialism" for the Government to wipe out disease-ridden and crime-breeding slums, or to provide aid to education or to become concerned with the health of our people?

Surely it is completely obvious that, aside from humanitarian reasons, our national defense demands better education and healthier bodies of our young people!

To my way of thinking, the "Socialism" label has grown threadbare. It has no real substance. The cry of "Socialism" has become the last refuge of those who have no sound or logical arguments left to justify their blind and unreasoning opposition to any and all progressive measures.

Labor Will Not Be Stopped

The trade union movement will not be deterred nor halted by such meaningless and hypocritical attacks. We are going forward with all our energy to support the drive for more progressive legislation in the next Congress, including amendments to bring the provisions of the Fair Labor Standards Act up to date.

In this effort, the AFL-CIO is not primarily concerned with benefitting its own members. Let me make that point emphatically clear. The vast majority of union members earn far more, under their collective bargaining agreements, than the present-day minimum wage and their working conditions are considerably in advance of the minimum requirements of the law.

Organized labor's role in the campaign for broader coverage and higher stanards of the Wage-Hours Law is that of merely one liberal organization, among many in our nation, seeking to further the cause of progress. We are confident that all forward-looking groups in the nation will join with us, now as in the past, to win favorable action from Congress and the White House.

No group has done more to arouse the conscience of America in this area than the National Consumers' League. We in the AFL-CIO are proud to be associated with this dedicated, pioneering organization in joint sponsorship of this commemoration of the first twenty years of progress under the Fair Labor Standards Act.

It is not surprising that women have been the dominant influence in the National Consumers' League and have worked so hard for the enactment of all kinds of legislation contributing to the human welfare.

For it is the women of our country who have seen their children enter the mines and textile mills and grow old before their time; women who have experienced at first hand the tragedies of sweatshops, industrial homework and sheer poverty.

Many of these wretched conditions have been relieved. We have raised standards considerably in America. Other nations regards us as a land of wealth, just how wealthy are we? Let's take a look.

How Wealthy Are We?

How wealthy are we when one out of every seven families has to live on an income of less than $2,000 a year?

How can we speak smugly of our national wealth when 13 million American families still live in sub-standard housing, when our older, retired citizens receive Social Security checks averaging only $66 a month, when we have failed to provide enough safe and decent classrooms for our children?

Yes, we still have a long way to go before we can consider the job of "providing for the general welfare" as a job well done. One important step on this road is the great and urgent need for improvement in the Fair Labor Standards Act itself.

Let's get down to cases. The law, as it stands today, provides protection for only 24 million persons in the nation's labor force. There are still some 20 million workers uncovered and unprotected by its provisions.

Why? For the simple reason that certain industries engaged in inter-state commerce have done such an effective lobbying job in Congress that they were exempted from the law.

This favoritism can no longer be justified. Big industries, with annual incomes rising into the millions, like the giant merchandising firms, hotel chains, telephone companies and laundries can no longer be permitted to escape their clear obligation to comply with minimum standards on wages and hours.

The issue of coverage must not be confused by sentimental appeals in behalf of small business. We are not talking about or seeking legislation to include small business. The corner grocery store and the "Mom and Pop" shop would still be exempted. It's big business, hiding behind the camouflage of small business, that must be included in the new law.

Then there is the equally urgent need of raising the minimum wage. It started back in 1938 at 25 cents an hour and has been raised by slow steps to $1. That is a totally unrealistic amount today. According to the Government's own figures, an income of $40 a week is less than half the amount necessary to support a family in decency. In the last nine years, while average wages in the nation rose by 74 cents an hour, the minimum wage has gone up only 25 cents, a third as much.

$1.25 Hourly Minimum

We believe, therefore, that we are being conservative when we urge Congress to approve an increase of the minimum wage to at least $1.25 an hour.

The question occurs: Why do we—private organizations—have to urge and agitate for such obviously necessary reforms? Why doesn't the Government act on its own motion?

The answer was supplied by President Woodrow Wilson. He told a group led by the late Florence Kelly, founder of the National Consumers' League:

"Most of the vitality of the public action comes from outside the Government. The Government does not originate. It responds to public opinion."

It is up to us, therefore, the trade unions, consumer leagues, women's groups and other progressive organizations, to stir up public opinion in favor of programs to help the people of our country and provide for the general welfare.

Fortunately, the prospects in the year ahead are more promising than they have been in a long time. As a result of the last election, many liberal and progressive candidates will take their place in the next Congress. If we do our job of building up public support for the goals we share, victory is in sight.

*An address by Mr. Meany at a dinner commemorating the 20th Anniversary of the Fair Labor Standards Act co-sponsored by the AFL-CIO and the National Consumers League, Washington, D. C., Dec. 4, 1958.

Join Ideal Securities

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Seymour T. Dolgin and Barbara A. Rosenberger have joined the staff of Ideal Securities Company, 2185 Broadway. Mr. Dolgin was previously with Selected Investments, Inc. Miss Rosenberger with with Investment Service Co.

N. Y. Investment Ass'n Elects Officers

At the Annual Meeting of the Investment Association of New York, the following were elected officers for the year 1959. President: Worthington Mayo-Smith of Blair & Co., Incorporated; Vice-President: John G. Peterkin of Gregory & Sons; Secretary: David C. Clark of Clark, Dodge & Co.; Treasurer: James F. Burns of Blyth & Co., Inc.

W. Mayo Smith

G. Peterkin

David C. Clark

James F. Burns

Committee Chairmen include — Member Education: John E. Friday, Jr. of Morgan Stanley & Co.; Public Education: William J. Ruane of Kidder, Peabody & Co.; Entertainment: Vincent C. Banker of R. W. Pressprich & Co.; Membership: Arthur B. Treman, Jr., of Dillon, Read & Co.; Program: J. Stuart Lovejoy of Reynolds & Co.; Publications and Publicity: Frederick S. Wonham of G. H. Walker & Co.

The Investment Association, formed 11 years ago with 27 members, today has over 540 members, all of whom are under 40 years of age. These young men represent more than 160 investment banking and brokerage firms in the New York area. The main public activities of the Association are its sponsorship of lecture series by experts in various economic fields; the maintenance of a membership Speakers Bureau, which in cooperation with the New York Stock Exchange, gives investment lectures in the New York area to approximately 7,000 persons annually; and its work with the Joint Committee on Education which each year brings 35 economics professors to Wall Street for a 3-week forum on the investment banking business.

Coast Exch. Member

Election of Edward F. Therieau of Fairman & Co., to membership in the Pacific Coast Stock Exchange through intrafirm transfer of a membership in the Los Angeles Division formerly standing in the name of the late Harry Fairman, Jr., has been announced by Frank E. Naley, Exchange Board Chairman.

Mr. Therieau entered the securities business in 1927 in Los Angeles and has represented Fairman & Co., on the Exchange as its Floor Trader since September, 1943. He has recently been appointed Assistant Secretary of the firm and will become its Exchange Floor Member.

Charles S. Moore

Charles S. Moore, partner in D. T. Moore & Co., New York City, passed away Dec. 14.

Continued from page 3

The Important Role of State Taxes

upward trend of tax collections has remained unbroken though moving with an uneven rate; for instance 1956 was 15.3% greater than 1955.

But comparisons cannot end at this point because such year-by-year changes in tax revenues for the 48 states contain the influences of population growth as well as shifts in price levels. Only after adjustments have been made to allow for such influences is there a residual figure which comes about as near as one can get to answering the question: "Are we having more or less state government?"

One reason for being concerned about population is the fact of a positive correlation between the size of a country's population and the size of its governments. In less academic terms: the more persons there are in a country, the more government. Not a one-for-one relation to be sure because there are some economies in size, but in time multiplication in one form or another does set in. If we the people demand that our children be educated in public schools we have to hire more teachers and construct more class rooms. If we want our private property protected we must expand the police force; if we find parks desirable, we will get park boards.

To put tax collections (and similar figures on a per capita basis takes care of the population growth factor in pretty good fashion, though such results can be further refined. For fiscal 1958 this adjustment works out to $86 per person compared with $85 in 1957, an increase of 0.9% compared with an unadjusted increase of 2.6%. This weight of population can be seen even more clearly by taking a somewhat longer period. The unadjusted 1958 state tax collections were 88% greater than the sum of $7.9 billion for 1950. But in the interval this country's population had grown rapidly, so on a per capita basis state tax collections in 1958 were only 63% ahead of fiscal 1950.

Another adjustment in straight dollar tax data must be made. When it is remembered that governments are big businesses or big households, the matter of price level becomes important. The numerous departments of each of our states have to be supplied with paper clips and personnel, with heat for offices, with food for state institutions. The shopping list for supplies is a long one and there are roughly 1.4 million persons on state payrolls including teachers in state colleges, etc. Thus even though a state may have no increase in the number of employees over a time period (rather improbable), and no change in the quantity or quality of its services, if prices have been spiraling upward and expenditures of the state also will spiral. And such added costs must be met either by increased taxes or more borrowing, or both. Put in another way, a certain part of the long-term growth in state tax collection dollars must be ascribed to higher wages for personnel and higher prices for supplies. Valid comparisons over a period of years, therefore, must take such price changes into account.

When state tax collections are put in terms of a per captia and stable dollar — thus eliminating the influences of changes in population and prices—the results are these: adjusted collections in fiscal 1958 were about 2% less than in 1957. Thus the absolute dollar increase of 2.6% during the 12 months ending June 30, 1958, was more than accounted for by the growth of population and an increase in consumer prices. With due allowances for statistical distortions, and much can be proved or disproved by statistical manipulation, the operations of the 48-state governments as a group were, if anything, somewhat less burdensome **tax-wise** in the past year than in the prior fiscal period.

But the above result must not be interpreted to mean that the tax bill in some states did not grow appreciably. Nor must it be assumed that state services generally contracted slightly, because state officials may and do borrow money when things get tight, as does private enterprise. Indeed the 48-state net long-term debt (the short-term is not too important) has shown an unbroken increase since World War II reaching $11.8 billion in fiscal 1957, a figure which probably will be exceeded when the 1958 data are published. For many years the states as a group just have not raised enough money from their own taxes to cover expenditures; debts, Federal grants, and charges for certain services have made up the difference. This is a pretty serious condition and one not generally realized by the public.

Certain Specific Taxes

As far as the actual sources of state tax collections are concerned those on sales, general and selective, continued to offer in fiscal 1958 somewhat more than half of the total, 58.6% to be exact, according to the Census report. Of this percentage general sales contributed 23.5% with the selective levy on motor fuels coming next with 19.6. None of the other individual selective sales taxes even on such widely used objects as alcoholic beverages and tobacco products brought in more than 4.1% of the total of all taxes. Although taxation of sales in general (or the equivalent tax on gross receipts) is used by just 33 states, its generality provides very substantial amounts, e.g. $603 million in California, somewhat over $300 million in Illinois and Michigan, and from around $200 to $220 million in Ohio, Pennsylvania, and the state of Washington.

When income taxation is mentioned the Federal individual and corporate levies usually are in mind; however, all but 13 of the 48 states use one or the other or both income taxes. The total revenue from such sources in fiscal 1958 provided 17.2% of total state tax collections. As with the Federal Government the states found that the individual income tax brought in decidedly more money than the corporate.

Licenses as a group stood third in line with 14.7%; of the licenses those from motor vehicle and operators were by far most important. State taxes on property, on severances (mining, oil, timber, etc.), and on bequests (death duties and gifts) brought in sums from $350 to $533 million certainly appreciable, but percentagewise only 2.4 to 3.6 of the total of all state taxes.

Interstate Comparisons

Important as are the above data probably more interest for the individual is focused on the position of his own state. For state-by-state detail a person would have to refer to the Census report itself,* but a few of the more conspicuous situations can be mentioned here. All except five states reported at least somewhat higher tax collections for fiscal 1958 than for 1957, the gain was from 0.1 to 24.3%. Indiana had the 24.3 percentage, the result in large part of a decided increase in the basic rate of its profitable gross income tax plus a substantial jump in receipts from the levy on motor fuels. Delaware and Florida stood next in line with gains of slightly more than 16%, Delaware showing improvements from most of its tax sources, and Florida through its general sales tax reaping the benefits of sustained prosperity.

The two states which were reported by Census as having the greatest declines in tax revenues from 1957 to 1958 were Virginia off 18.7% and Pennsylvania 9.9%. But these figures illustrate the caution needed in handling statistics. In absolute dollars the tax collections in these two states were off, but for one of Virginia's important tax bases the Census figure for 1957 combined 1956 and 1957 collections, so the 1958 sum almost necessarily was less. And in the case of Pennsylvania the 1957 sum for licenses in general obtained by corporations was double the usual amount (there was no explanation), thus the drop from 1957 to 1958 collections from this source was an appreciable one. These statistical vagaries are more than points of interest just to students of finance. As mentioned before individuals naturally want to know how their state is doing, and unless some of the pitfalls in interpreting data are avoided misleading conclusions result.

Another place a person has to be careful in this field is in making inter-state comparisons, and this is especially so if state tax collections are put on a per capita state-by-state basis. The reason for caution lies in this fact; seldom if ever will the distribution of total services between the state and its local units of government be the same within state A as in states B, C, D, etc.

For instance Census in the report from which the data in this article are drawn for the most part has in the last table a column titled "State taxes as percent of State and local taxes, 1953." The range is from 25.9% for New Jersey to 78.9% for New Mexico. Needless to say the citizens of New Jersey are not being deprived of governmental services such as schools, roads, public hospitals, penal institutions, general welfare while the residents of New Mexico are being surfeited. The contrast arises from the fact that in New Jersey **local** governments assume the bulk of the costs of many of such services, whereas in New Mexico (and other states with similar high percentages in the Census column) the **state** government itself underwrites or assumes the expenses for the most part and collects the necessary taxes.

Although the distribution of governmental functions between the state and local units varies tremendously among our 48 states according to influences such as the stage of development, tradition, and political pressures, for the states as a group in 1958 the distribution was just about 50/50. It is most probable that the long-time trend will show more centralization of services, taxes, and control on the state level.

Taxes and Personal Liberties

If an individual is rather indifferent to state taxes and similar revenue problems, such a posture is that of the head-in-the-sand. Our generation and those which come after are going to have governments of some type, and there seem to be two trends in such relations which vitally affect each citizen: First, an increase in the proportion of goods and services of daily living which come from or depend upon government rather than private activity. Second, a shift in the offering of such functions (together with different degrees of control) from lower levels of government to higher—more specifically, from local to state to Federal. These trends are important enough to be commented on briefly:

For the sake of analysis let the presence of the above trends be assumed (though the factual evidence is adequate) whether we individually like them or not. Let it also be assumed that none of us is inclined to take an attitude of resigned acceptance of **the rate of change** involved in these trends. And let it further be assumed that each of us can exert some influence, slight or appreciable, upon the rate of change. Now tie these assumptions to the next three statements which need very little if any qualifications.

First, government is big business. (Even a small municipality will currently have a budget of around $100,000, and New York City is running close to one and one-half billion dollars in just tax collections.) Second, government can be a profitable business for those who run it both for their statutory salaries and rewards as well as for the non-statutory perquisites of office which in some cases have brought fortunes to those in actual control. And third, the practitioners of government, in more popular terms the professional politicians, have chosen or accepted such work as lifetime careers or occupations.

For the laymen, i.e. for most of us, the sum of the above observations, which have strong factual supports, is this: to make our weight felt in government will require time, hard work, and money. Man-for-man the layman does not have much chance against the professional officeholder in the political arena because it is a case of a part-time amateur versus a full-time professional. But the old adage still holds: in union there is strength. When laymen and laywomen (to wit, the League of Women Voters) organize in economy leagues, or taxpayer associations, or the equivalent, and then bring to the science, art, and practices of politics the acumen and ability shown in their everyday lives, then a better balance can be established in government. This will be true because the professional politicians then will be willing to listen, bargain, and even concede.

Such activity by substantial citizens (if the phrase is not too trite) is necessary particularly if the growth of governmental functions is to be slowed and if there is to be a retention of some degree of home rule and states' rights. If, on the other hand, one favors more government and more centralization of such government at higher levels, then one can go with the tide and perhaps even accelerate it. But unless history reverses itself decisions in favor of larger governments more remote from the people will mean among other things larger tax bills and mounting debts. Furthermore—and this is most vital—in time with such a growth of government there will be a lessening of basic personal liberties which are constantly enjoyed by the great majority of persons in this country, but which too many of us take as matters of right and not as privileges.

These are the threads which weave the pattern of state (and local) finances into the total fabric of daily living. And the pattern of these finances, such as taxes, is so important, so intrinsic that if ignored or constantly subordinated to Federal activities we may lose our birthright of self-government.

*See ***State Tax Collections in 1958***, Governments Division, Bureau of the Census, Department of Commerce, Washington, D. C. The definitive report is the ***Compendium of State Government Finances*** which will be published by Census after final figures on all aspects of state finances for fiscal 1958 have been collected.

Fairman Adds to Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Milton Reich has been added to the staff of Fairman & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. He was formerly with Bennett-Manning Company.

Chas. E. Quincey & Co. Admits Two Partners

Philip V. Mohan and John H. Excoffier have been admitted to general partnership in the investment firm of Chas. E. Quincey &

Philip V. Mohan

John H. Excoffier

Co., 25 Broad Street, New York City, specialists in United States Government securities, and members of the New York and American Stock Exchanges. The Quincey organization was founded in 1887.

Mr. Mohan was formerly a vice president of The First Boston Corporation, having been associated with that firm for 22 years.

Mr. Excoffier's admission to partnership coincides with his 38th anniversary with Chas. E. Quincey & Co., where in his many years of association he held managerial and administrative posts, including successively, positions as assistant cashier, cashier and assistant office manager.

A. C. Widmann, Partner In Walter, Woody Co.

CINCINNATI, Ohio — It is announced that effective January 1, 1959 Albert C. Widmann has been admitted as a general partner in the investment securities firm of Walter, Woody & Heimerdinger, Dixie Terminal Building.

Albert C. Widmann

The firm of Walter, Woody & Heimerdinger, organized in 1922, specializes in the underwriting and sale of municipal bonds, a field of investment to which Mr. Widmann has exclusively devoted his 35 years in the investment business.

Until recently Mr. Widmann headed the investment firm of Widmann and Company of Cincinnati which was originally organized in 1932 and also specialized in the handling of municipal bonds.

Mr. Widmann is a member of the Bankers Club of Cincinnati, the Cincinnati Stock and Bond Club, the Cincinnati Municipal Bond Dealers Group, and also President and Director of The Paramount Savings and Loan Company of Cincinnati.

Midwest Exch. Members

CHICAGO, Ill. — The Executive Committee of the Midwest Stock Exchange has announced the election of the following individuals to membership in the Exchange: Lawrence C. Berendsen, L. C. Berendsen Company, Burlington, Iowa; Russell J. Olderman, Hayden, Miller & Co., Cleveland, Ohio; and William C. Porter, Dittmar & Company, Inc., San Antonio, Texas.

With Andersen, Randolph

(Special to The Financial Chronicle)

DENVER, Colo. — Kenneth D. Adams is with Andersen, Randolph & Co., First National Bank Building. He was previously with Investment Sales, Inc.

Continued from first page

As We See It

givings that their ideas do not differ essentially from those of Mr. Keyserling. There are some members of Congress who have always bridled at the mere thought of a balanced budget, apparently having the settled opinion that it is a sort of fetish of yesteryear and best forgotten. It may be taken for granted that any budget that the President presents as a "balanced budget" will meet violent opposition, not to say scorn, in such quarters. What is worse, others who pay lip service to sound fiscal management, including balanced budgets, lose interest when pet projects are endangered—and the Lord knows there are enough pet projects around.

Results Count

There are those, of course, who assert that the President's announcement at this time, and quite possibly the budget itself, are to be regarded as moves in the current political chess game. For our part we welcome any move, political or other, which contributes to the cause of our fiscal salvation. All the more power to the President if he can in this or any other way promote reduction in expenditures. At the same time, we should be less than frank if we did not say that the information so far vouchsafed by the President affords less than full assurance of great progress toward a budgetary situation conducive to economic health. The President says that "a balanced budget will be an important and welcome assurance of the people of the country and the world that our government is determined to live within its means, thereby doing its part to prevent inflation, to encourage economic expansion, and to fulfill American responsibilities of world leadership."

A balanced budget—a sizable surplus would be better, of course—achieved by substantial, even drastic reduction in outlays, would without doubt have the effect indicated by the President. We can only hope that the details of the President's budget, when they are made public after the turn of the year, will give more convincing evidence that some such good fortune is in store for us than what he has had to say now has done. The "balance" he promises admittedly depends upon a large increase in tax receipts, based largely upon proceeds of income taxes from corporations. Precisely what basis the Treasury has for such implied forecasts of corporate profits we have no way of knowing, and we certainly should not undertake to replace the Treasury's conclusions by any of our own. We must say, though, in all frankness and with emphasis that a budget balanced only by reason of larger revenues is certainly far less reassuring and heartening than would be a balanced budget resting primarily, if not wholly, upon reduced outlays. Better still would be a prospect for substantial surpluses stemming from reduced outlays and larger tax collections resulting solely from more active and more prosperous business.

Little Assurance

We can not find much assurance of this sort in what the President has had to say so far. To be sure, some reduction in expenditures is proposed—largely apparently by refusal to continue temporary programs which automatically come to an end in time to relieve the 1960 budget of the burdens they have imposed this year. As to any other reductions the President is vague to the point of saying almost nothing. This much, though, can be said: if a $9 billion increase in revenues can do no more than balance the budget for next year, a great many hundreds of millions, yes, even billions of expenditures which should be pruned out of the budget are still left intact. Far more curtailment of expenditures is urgently needed.

Full assurance, or anything approaching it, to the American people and to the world, that this country is really determined to put its financial house in order could in any event be provided only by a longer look ahead than the President appears to have taken. We have no doubt that more could be cut out of the 1960 budget than the President proposes, but the fact is that the type of expenditure reduction that is required in the present circumstances demands more than one year for its accomplishment. Now is definitely the time to begin reducing outlays in the 1961, the 1962 and even the 1963 budgets. In point of fact if such steps are not taken now it will be found when the time arrives for formulating the budgets for those years that the amount of curtailment is limited by legislation enacted and programs initiated years before.

If the President has any such desirable but drastic plans in mind for the fiscal affairs of the Federal Government he has given no indication of them as yet. Most of the members of the Democratic party, and with deep regret be it said, more than one member of the President's own party are now and have been regularly in recent years much more interested in enacting legislation which makes future reductions in expenditures doubly difficult. Should it presently prove that the President and the other leaders of his party have really come to grips with facts of this sort, and are determined to do something real and substantial about the recklessness with which the taxpayers' funds are wasted, we should be the first to applaud, but we feel constrained to await better evidence than has yet appeared.

Continued from page 11

Better Federal Debt Management

selves desirable, are a necessary price for managing the huge Federal debt so as to contribute to the prevention of inflation and of an unsustainable rate of economic growth. Market instability may likewise be considered a price that must be paid to prevent economic excesses. Bankers and other investors, of course, rest more comfortably when markets are stable and risks are reduced, but this peace of mind is a luxury that must at times be sacrificed in the nation's battle against its principal internal enemy—inflation.

It must not be overlooked, on the other hand, that a higher level of interest rates—which might result from vigorous Treasury competition—may well stimulate an increased flow of savings, an essential element of an anti-inflationary program. Moreover, deferral of plans for increased investment as interest rates rise, will relieve the pressure on the limited supply of capital funds. In an expanding economy the Treasury can successfully draw funds away from marginal borrowers in both the corporate and mortgage sectors, only if it is willing to compete on the basis of rates and terms.

Treasury Market Techniques

While a willingness and determination to compete for capital funds in the open market must be the chief factor in a successful debt management program, other factors relating principally to techniques for offering new, and refunding outstanding U. S. Government securities should, also, be given careful consideration. Among these techniques, the following might be considered.

The technique of forward commitments, widely used in the marketing of mortgages and in the direct placement of corporate securities, may be adaptable to the marketing of U. S. Government securities.

Basic modifications, would, of course, be necessary. The extended period of time covered by commitments in the mortgage market, for example, would be inappropriate in the Government securities market. In the corporate securities market, however, the length of time covered by commitments has been generally shorter.

Actually, a commitment technique was used by the Treasury in 1955 in connection with its offering of 3% bonds due in 1995. Not many institutional or other types of investors subscribed for this issue on a commitment basis, however. This suggests that the technique may not have been well suited to investors, or that the Treasury did not appropriately publicize it. In any event, the commitment device will have to be studied more carefully and refined before it can again be employed.

One refinement which might be considered is the payment of a modest commitment fee by the Treasury. Such a fee to investors would be an added inducement to enter into contracts and would tend to offset in part the disadvantages of a possible market reduction in the price of forward contracts soon after the closing of books. If the problems associated with the commitment technique can be overcome, there will be distinct advantages both to the Treasury and to investors of permitting payment for Government securities over a limited period of time as funds become available from savings, insurance premiums, etc.

There are other marketing techniques, associated with redemption and conversion privileges, which might be considered. A limited disadvantage of these techniques is that, in most cases, the initiative for debt management is transferred from the Treasury to investors. This course is to be avoided when possible but may be a necessary price, on occasion, in order to attract new groups of investors. Privileges of redemption were granted in connection with the two 4% note issues offered in 1957. These notes, it will be recalled, had definite maturities but holders were given the right to redeem them at par at about the midpoint of their contract maturity.

This redemption device need not be limited to note issues. Further, there might be one or more optional redemption dates. For example, the Treasury might offer a 30-year bond, giving the holder the right of redemption on a fixed date, after appropriate notice, perhaps at the end of two years and again after five years. The disadvantage of this type of security is, of course, that it is redeemable in cash, a fact which might be inconvenient to the Treasury or blunt monetary policy at redemption dates.

In this respect, the offering of securities with conversion rather than cash redemption privileges might be preferable. The offering of a long-term bond which, for the first several years of its life, would be convertible into any new issue of Treasury securities having a maturity, of say, more than five years, might be attractive to investors. Another possibility would be to offer a long-term security bearing a rate of interest in the early years different from that in the later years—higher or lower depending on market conditions—with the option of redemption at the end of the earlier period or retention for the longer period.

Tax Benefits Technique

An approach of a different sort, directed towards increasing the participation of individuals in the market for Government securities, might operate through tax benefits. Tax exemption *per se* is not considered to be good public policy, and rightfully so. This is not to say, however, that there are no tax advantages associated with U. S. Government securities. Certain issues which are available at discounts, for example, may be used in payment of certain tax obligations at face value. All issues selling at discounts, moreover, offer some tax advantage in that the discount may be regarded as a potential capital gain.

In the case of individuals, a tax deduction of $1,000 is permitted, with carryover privileges of amounts in excess of $1,000 for losses sustained in U. S. Government and other types of securities. In this connection the Treasury might wish to consider the advantages of broadening this privilege by permitting individuals to deduct from taxes an additional $1,000 or more, with similar carryover privileges, for losses sustained in the sale of U. S. Government securities issued after Jan. 1, 1959. To encourage the continuing interest of individuals in the market for Treasury securities, however, it should be provided that additional tax losses be deductible only from current or future interest earned on Treasury securities.

Consideration might also be given to similar limited tax benefits to non-bank corporate holders of U. S. Government securities.

Debt Lengthening and Orderly Marketing

I would like to offer a brief comment about the general Treasury objectives of debt lengthening and orderly marketing. Lengthening the average maturity of the outstanding debt is important to the extent that it makes for a more orderly marketing of obligations and contributes to the fight against inflation. There seems to be a tendency at times, however, to overemphasize average maturity statistics without solving the basic problems of Treasury financing. For example, the average outstanding maturity of the debt may be lengthened without materially reducing the problem of refinancing immediately-maturing issues.

The Treasury is undoubtedly aware that an orderly scheduling of maturities can be accomplished without necessarily going into the longest maturities. In this respect, issues in the 10 to 15 year maturity range would contribute importantly to bringing about a better spacing of outstanding obligations. As market conditions permit, it would be desirable to have frequent, but relatively small amounts of, long term offerings both for cash and refunding.

Aspects of Advance Refunding

The Canada Conversion Loan of 1958 has created considerable interest with regard to the feasibility of a similar advance refunding operation in this country. Apart from considerations of the relative success of the Canada Conversion Loan, there is a serious question about the applicability of this type of large-scale, dramatic refunding operation to the United States. At this time such an action is hardly to be recommended.

While the near-term problem confronting the Treasury concerns the issues maturing in the period 1959-61, it does not appear feasible to undertake an advance refunding of these issues considering their large volume, relatively attractive yields, and current conditions in the capital markets. With respect to the feasibility of an advance refunding of issues scheduled to mature in later years, particularly the more than $28 billion of 2½% war-time issues with final maturities in 1967-72, there would seem to be little practical advantage to the Treasury in such an action. These issues do not now present a problem to the Treasury, nor would their refunding ease the refinancing problems of the 1959-61 maturities. There are enough "in-between" dates available in the 1967-72 range to accomplish such refinancing in this maturity area if desired, when the time is appropriate.

Finally, it is open to question whether conversion of the 2½% war-time issues into long term bonds bearing higher interest rates would reduce sales from investment portfolios. At current low prices, holders of the 2½'s are reluctant to take the substantial losses attendant upon sale. Conversion to securities with higher yields instead of making for more "permanent holders," might result in increased net selling as losses were reduced or perhaps converted to gains.

For all of these reasons, advance refunding of outstanding securities does not seem appropriate at this time. Because an advance refunding on a relatively small scale, offers important advantages with respect to debt lengthening and orderly scheduling of maturities, I do feel, however, that the question should be kept under continuing study in the event that subsequent market changes make it feasible to undertake such an operation.

Modification of U. S. Savings Bond Program

Since the end of the war, the public appeal of savings bonds has been considerably reduced even though the rate of return on these bonds, when held to maturity, has at times equalled or exceeded that paid by mutual savings banks and commercial banks on savings deposits, and by most savings and loan associations on share accounts. The clear indication is that savers prefer the convenience and flexibility of savings and share accounts, and the protection of life insurance to ownership of savings bonds. Only in time of war does it seem possible to sell U. S. Savings Bonds readily and in large volume.

While large-scale expansion of savings bond sales does not appear feasible, nor in fact economically desirable, the general rise in interest rates that has occurred in recent years suggests the need for a revision in savings bond terms.

The 3¼% Series E Bond was first offered to the public in February 1957. Since that time yields on U. S. Government securities have advanced by approximately ½%. Rates on newly offered issues of corporate, and state and municipal securities have also advanced by about ½% or more during the intervening period. The maximum rate on savings bonds is set by Congress and it may be February or March of 1959 before Congressional action can be taken on this matter. In order to restore the competitive position of savings bonds, therefore, it would seem reasonable to have the yield on Series E Bonds raised from 3¼ to 3½ or 3¾%. It is also desirable to shift responsibility for establishing the rate from Congress to the Treasury, which could administer the rate in accordance with market needs.

Accompanying this revision in interest rate there should be a revision in terms and prices of savings bonds. Heretofore, advances in rates have been achieved by a shortening of maturities. Thus, when the rate on Series E Bonds was raised from 3 to 3½% in 1957, the maturity was reduced from nine years and eight months to eight years and 11 months. The price at which the bond was offered remained unchanged at 75% of ultimate maturity value. In revising the present rate to 3½ or 3¾%, a similar device might be employed and an effective rate change achieved by a corresponding reduction in the maturity.

In view of the expense incurred by the U. S. Government in connection with the issuance and turnover of these bonds, however, consideration must be given to maturity extension in order to achieve a reduction in expenses. It is desirable, also, that the cost of the bond be a round fraction of its ultimate maturity. The present and older Series E Bonds, as you know, were offered at a price of three-fourths of their maturity value. If the cost were to be reduced to five-eights of maturity value, then the term could be adjusted to provide a 3¾% return. For example, a $100 bond costing $62.50 would give a return of 3.75% compounded semi-annualy at a maturity of 12 years and eight months.

A price reduction, as suggested above, would give the Treasury an opportunity to eliminate the $25 denomination and make the $50 denomination the smallest issue. This would reduce the administrative costs of the savings bond program considerably. Corresponding modifications should be made in the yield, price, and terms of the Series H Bonds.

Conclusion

The highest order of economic intelligence and political statesmanship must be brought to bear on the complexities of debt management problems. Because of its fundamental influence on the nation's economic life, debt management policy must have as its primary long run aim the contribution it can make towards achieving sustained economic growth and relative price stability. No matter the difficulties or the so-called practical problems of Federal finance, all other considerations must be subordinated to these basic objectives, lest the nation's economic health be undermined.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The money market is entering the New Year with an air of anticipation, because it knows the Treasury will be making available its new money raising terms in the next week or so. It is evident from the talk which is being heard that the Treasury will offer a longer-term issue, most likely one with a bond maturity. The reason for this is that there is not only the desire to move out the maturity of the Federal debt but there is also the belief that more of the longer-term issues should be bought by ultimate investors.

What kind of an obligation the Treasury will use for its longer-term new money raising purposes is a matter of considerable conjecture. Nonetheless, the opinions are evidently strong that a 4% or a 4⅛% issue, with a maturity running from 10 years to 15 years, plus an option call date as well as some kind of a conversion privilege, is in more than the "open mouth" operation stage. But, the Treasury has the last word and they usually surprise the money market.

Little Confidence Budget Will Be Balanced

The Government market closed out the year still on the defensive because the money market continues to be faced with a strong inflation psychology, an unbalanced Federal budget, sizable Treasury borrowings, as well as large refunding operations. In spite of President Eisenhower's recommendation that the budget be balanced in the 1959-1960 fiscal year, there does not appear to be any abundance of confidence in the money market that this will be the case. It is evident that the spending proposals which the new Congress is bringing with it is not going to put the budget in balance unless there is a substantial increase in taxes which is not looked for by most followers of the money market.

An unbalanced budget is also indicated for the fiscal year ending June, 1959, with the size of the deficit estimated all the way from $5 billion to $12 billion. The feeling is growing that the excess of outgo over income will tend to be decreased with the passing of time because of the improvement in the economic picture. Nonetheless, by no stretch of the imagination, will there be a balance in the 1959 Federal budget. The inflationary implications of continued Federal deficits is not going to have a favorable influence on the Government bond market in 1959, or any year for that matter.

Higher Discount Rate Probable

The Federal Reserve Board, according to the statements of Chairman Martin, is very much concerned with the inflation bias, and with business in a strong comeback there will most likely be less money and credit available to the money market so that a boom does not develop. This probably does not mean such drastic action as increasing the reserve requirements of the member banks, but it most likely will result in these banks again operating with negative reserves and this usually results in the discount rate being increased, with the prospects good that the prime rate will also be upped.

Treasury Borrowing Costs to Increase

With the competition likely to be keen for the available supply of money and credit in 1959, because of the business betterment and the credit firming operations of the powers that be, it is believed that the Treasury will have to pay more for its new money borrowing. Then there are the refunding operations which will have to be provided for, and even though this may still be done on a short maturity basis to a large extent, the cost of taking care of issues as they come due will also rise since the available funds that can be used for these purposes are quite likely to decline also. It is indicated that those who have had funds for investment in short-term Governments will be needing them for their own purposes because of the improvement in business.

Market Guessing on Projected Financing

Because there is likely to be a token offering of a longer maturity than has been used in the recent past by the Treasury, the market for the more distant obligations has been trying to discount what is going to be done early this month. In order to get such a security into the hands of the ultimate investor there will have to be a rate high enough to attract the limited supply of funds that is available for such an offering. Accordingly, it is being predicted that the Treasury in its impending new money raising venture will offer a medium-term bond, with an option call and conversion feature.

Public Utility Securities

By OWEN ELY

Northern Illinois Gas Company

Northern Illinois Gas represented a "split off" from Commonwealth Edison in February, 1954. The company now has annual revenues of about $91 million, over three times as much as in 1949 when it was a division of Commonwealth. It serves 273 communities in northern Illinois with a population of over 2.2 million; it has over 600,000 customers and is adding 30-35,000 a year. Residential (general) accounts for about 16% of revenues, residential (with heating) 53%, commercial 5%, firm industrial 10%, interruptible and boiler fuel 15%, and miscellaneous 1%.

Population in the service area has increased about 50% since 1950, compared with 16% for the U. S. as a whole; some cities have grown much faster—Stokie's population is now more than three-and-a-half times that of 1950. Reflecting this growth, Northern Illinois Gas' customers have increased about twice as fast since 1953 as for the U. S. gas industry. Revenues are currently gaining nearly 10% over the previous period.

Growth is expected to continue at a rapid pace. New waterways and expressway projects promise to be of great importance in the future development of the service area. Chicago is the only city on the Great Lakes which has a direct connection between the St. Lawrence Seaway and the Mississippi River System. To implement the St. Lawrence Seaway Project, a Port of Chicago has been established in Lake Calumet. This will permit a larger flow of water traffic between the Mississippi River System, the Great Lakes and the St. Lawrence Seaway than is now possible. The Seaway is scheduled for completion in the spring of 1959.

The new "Chicagoland" expressway system is now almost completed and the toll road system (outside of Chicago) is substantially completed. Everything points to a realignment of community and industrial growth along the expressways as contrasted with former growth along the railroads. A continued movement of population and industry into this suburban area and away from Chicago is expected.

The company's big expansion, as well as its future potential, is mainly in space-heating. Unfortunately, it has been unable to increase its main supply of gas very greatly since 1951. Nevertheless, with some minor increases and with a one-third interest in the big Herscher Dome Storage Project (plus the use of propane) it has been able to increase the number of space-heating customers over six times in the past decade, to around 262,000. House-heating produces over 40% of revenue and by next summer saturation may approach 47%. Substantially all new homes built in the area desire gas for heating. Oil for heating costs about 55% more than gas.

Other appliances are also doing well, including the clothes dryer and incinerator. The company carries on an aggressive and extensive advertising campaign to sell appliances. It is getting a very substantial part of the cooking load and practically all of the water-heating load, aided by lower cost.

For the 12 months ended September, 63% of the firm's gas was sold on a firm basis at an average price of 96¢ per mcf and the remaining 37% to some 60 large industrial customers on an interruptible basis at an average rate of 28¢. The recent recession had only a slight effect on firm industrial sales.

Northern Illinois Gas has been trying to obtain additional gas but several plans have not worked out, such as the Beatrice Project to bring gas from Colorado Interstate's large western reserves. Plans for the proposed Midwestern Gas Pipeline are not yet finalized—this would bring a substantial supply of gas from Tennessee, with possible later imports from Canada. However, Northern Illinois Gas will get additional supplies from Natural Gas Pipeline Company when construction of new facilities by that company are completed.

Other plans are also under way and the company is working on additional storage facilities. If all these projects work out successfully, the company should be able to increase its supply about 50%, which would permit substantial gains in the heating load. While the new gas may cost more, the company has a purchased gas adjustment clause in its rate structure. It does not have any current difficulties arising out of the Memphis case.

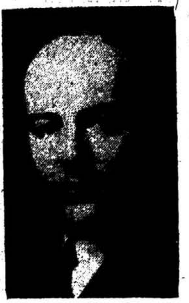
The company is engaged in a modest exploration program and will continue to gain experience in this field before developing any expanded program.

Northern Illinois Gas expects to spend some $158 million for construction over the next five years, and may have to raise about $115 million from bank loans or sale of securities. The present debt ratio is only 43% and in future the company contemplates a set-up of about 45-10-45.

Share earnings increased from 95¢ a share in 1954 to $1.22 in 1955 and $1.44 in 1956. In 1957 there was a slight setback to $1.36, and about $1.40 is anticipated for calendar 1958. The current dividend rate is 88¢. The stock has been quoted recently over-counter at 27½ bid, to yield 3.2%.

Maclin Partner of Paine, Webber Firm

Luttrell Maclin became a general partner in Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, on Jan. 1, 1959, according to an announcement by Lloyd W. Mason, executive partner.


Luttrell Maclin

Mr. Maclin, who has been with the firm since 1951 as director of advertising and public relations, will head the newly established department of business development. This department will encompass all of the firm's sales building activities: statistical services, advertising, public relations and sales training.

Mr. Maclin began his Wall Street career as a financial reporter and was formerly assistant to the president of the Association of Stock Exchange Firms.

Paine, Webber, Jackson & Curtis is one of the oldest and largest investment banking and brokerage firms in the United States. Founded in 1879, it engages in all phases of the securities and commodities business and operates 42 offices located in 39 cities from coast-to-coast.

Continued from page 5

Possible Solutions to Railroad Financial Problems

ment and have been able to borrow against this equipment on a negative pledge basis.

As a price for obtaining the necessary debt financing, the airlines, virtually without exception, have had to enter into rather strict credit agreements and/or indentures which: (a) limit the amount of debt they may have in relation both to equity and to net depreciated book value of revenue equipment; (b) prevent them from incurring any large lease obligations for the rent of equipment; and (c) require them to maintain a substantial amount of net current assets—with the amount usually related to, and increasing with, the volume of their operations.

Such airline financing has (a) underlined to the financial community the far greater importance of overall cash flow than net income; (b) made us think of lease rentals as the equivalent of debt maturities and has pointed up some of the weaknesses of leases *per se* as a financial medium since leases do not give the lender the equivalent of credit agreement control over the financial future of the borrower or lessee; and (c) focused attention upon the tremendous difficulty involved in marketing for U. S. dollar cash old and/or obsolete equipment since, to my knowledge, there is no one today who can predict what a DC-7 aircraft will be worth in 1960 and there are many who predict that it will be worth little more than the market value of the scrap metal in it.

The debt-equity ratio provisions in this financing will, in all probability, force many airlines to raise equity capital at whatever price is feasible in the public market and this has focused attention upon the evils of having to sell equity at below book value since, without exception, airline stocks, until recently at least, have been selling at well below book.

Shipping Lines' Approach

Now let us turn to a brief discussion of the financial program of the American Flag subsidized shipping lines. In discussing this segment of the transportation industry it might be well to emphasize, as probably most of you know, that an annual subsidy — which the steamship lines admit politically at least, is not the best word in the English language—is paid purely to neutralize the tremendous crew wage cost differential between U. S. seamen and the seamen of virtually any other country of the world. In addition to this so-called operating differential subsidy, the U. S. Flag international shipping lines receive a direct cash subsidy from the government which is equal to the difference between the cost of building a ship in a U. S. shipyard and the cost of building the same ship in a foreign shipyard. At the moment, this construction subsidy approximates 50% of the total U. S. building cost of the ship.

Although these steamship lines, in the interest of maintaining an active and competitive American Flag merchant and passenger ship fleet, have had to be substantially subsidized by the U. S. Government, it is interesting to note that all these lines, without question, are still very definitely privately owned and are permitted to earn without any recapture on the part of the U. S. Government, up to 10% on the capital necessarily invested in subsidized ships.

To raise the $1-$2 billion necessary for their coming ship replacement program, the American Flag steamship lines, several years ago, went to the Congress of the United States for help. Their search for help—aided by well-worded legislation—was successful and took the form of what is known as Title XI—an amendment to the Merchant Marine Act of 1936. The key points in this Act, which should be of interest (since an obvious comparison to the loan guarantee provisions of the Transportation Act of 1958 is indicated) are as follows:

(1) Up to a total amount of $1 billion, the Maritime Administration (similar in function, of course, to the ICC) once it and the Defense Department have approved of the type of ship, etc., is empowered to issue its guarantee backed by the full faith and credit of the U. S. Government for 100% of a first preferred ship mortgage covering up to 87½% of the cost of any ship built in a U. S. yard and flying the American Flag. It may also issue such a guarantee covering 75% of the cost of the ship during its construction period which is usually about a year.

(2) Any U. S. citizen building an American Flag ship in a U. S. yard is eligible to apply for this insurance. He is charged a fee ranging between ½ of 1% and 1% per annum for it by the Maritime Administration and does **not** have to show that he could not obtain the credit elsewhere for the same purposes at reasonable rates.

(3) There is no limit to the period during which the Maritime Administration may issue such guarantees.

(4) The restrictions imposed upon the borrower by the Maritime Administration as a "price" for this guarantee are not particularly onerous from a going concern point of view. The maintenance of minimum working capital at a figure about equal to one year's total debt service is usually required as a covenant but payment of dividends is not forbidden.

(5) Probably the most important teeth in this law from the viewpoint of using it as a basis for successful financing at excellent rates were put in by legislation passed especially for this purpose in the summer of 1958. This legislation covered by Public Laws 85-469 and 85-520 provides that the Secretary of Commerce may issue notes to the Secretary of the Treasury which the Secretary of the Treasury must buy at par for the full amount necessary to pay in full any defaulted guaranteed mortgages. Additionally, the Secretary of the Treasury is authorized to issue securities under the Second Liberty Bond Act in order to provide the funds to be advanced to the Secretary of Commerce for such guaranteed payments.

These provisions are, of course, in sharp contrast to the payment provisions of the railroad guaranteed loan legislation. In the latter case, the Secretary of the Treasury has no sure source of funds with which to make these payments since he must wait until such funds are appropriated by Congress. Also, the Railroad Act has no provisions expressly reciting that the full faith and credit of the United States Government has been placed behind the credit.

The American Flag ship operators learned the hard way about the provisions necessary in government guarantees to insure ease and flexibility of financing. Title XI, as originally written, provided for guarantees of only 90% of mortgages and contained no provisions proving incontestably the sources of funds to the Maritime Administration for making good on their guarantee. Successful financing proved impossible under the above conditions and it was because of this that the legislation passed this summer was sought by the subsidized shipping industry.

Once proper legislation was obtained, these ship bonds became a very rich and acceptable piece of investment paper. This was shown by the recent successful public sale underwritten by a group of investment bankers of $9,000,000 of Grace Line government guaranteed ship mortgage bonds. These came to market on a 4.25% basis, went out the window and are now selling at a premium to yield 4.16%. The American Flag shipping industry with, of course, the substantial help of the U. S. Government, is becoming almost as successful a competitor for money as the railroads.

Tax Free Reserve Funds

Another facet of the subsidized shipping industry's financial picture of probable interest is what is known as capital and special reserve funds. Into these funds go in the form of cash and/or governments or other permitted securities all depreciation cash derived from subsidized ships plus earnings in excess of 10% of the company's capital investment. This cash can be used for the retirement of debt related to such ships toward the purchase price of replacement vessels and into the general funds of the company in the event of working capital emergencies. The real reason you may be interested in these things is that the shipping company may voluntarily put into these reserve funds up to 100% of its net income without paying any income taxes on the net income thus allocated. I believe people who have read Mr. Symes' testimony before the Congressional committees early this year will hear a bell ringing since an important part of his testimony dealt with the railroads' special problem of finding funds for betterments and one of his key suggestions was that a certain portion of a railroad's income be exempt from taxes on the condition it be placed in an Improvement Reserve and used for capital purposes.

In the foregoing manner then have two important segments of the transportation industry — the airlines and the subsidized shipping lines—found workable solutions to their own capital expenditure financing requirements. I have exposed these industries' financial *modus operandi* in the thought and the hope that some of these financing concepts may be applicable now or may be made applicable to the railroads in solving their own capital expenditure financing requirements which even over the next three years will probably be as large or larger than those of the airline industry and the subsidized shipping industry combined. Railroad treasurers know far better than we bankers whether there is any merit in what your colleagues in the transportation industry have done but I would like to outline a few thoughts which railroaders might want to consider in view of the fact they are directly competing for money with these other segments of the transportation industry.

(a) It would seem advantageous to the railroads in most future refinancings of mortgage debt to work towards the elimination of, or at least the weakening of, "after acquired property clauses". To a non-rail financial expert, it seems somewhat strange that most railroads cannot own their own equipment and it seems logical that being able to borrow in their own name directly against their own revenue equipment might in some cases pay dividends in financial flexibility and even in rate. This whole concept seems significant in view of the shrinking market for equipment trust certificates and the growing feeling in the banking community that loans against leases are not quite as good, creditwise, as direct loans to the actual owner and user of the equipment financed.

(b) To a banker looking at the whole field of corporate finance, there is no more reason why the equity of a railroad company has to sell farther below book value than the equities of almost any other industry in our free enterprise economy. To us, the low relationship between the market value to the book value of railroad common and preferred stocks is the most dramatic proof possible that the railroads are not earning even close to a fair return on their investment. The dramatization of this fact in public relations programs and in statements and arguments before public bodies related to rate making might be very helpful to the industry's cause. For many years rails, of course, have not had to dramatize this fact since the combination of their own internal cash flow and the good E. T. C. market has relieved them of the necessity for seeking new equity capital for capital expenditure programs. This happy combination of circumstance may not always be the case.

(c) Since, more and more, are going to have to tell and sell financial story to loaning officers not completely railroad experts, you might give some real thought to the importance of telling this financial story in language more understandable to him emphasizing points he has found important in other industries, For example, more emphasis on the "where got-where gone" statement (i. e. overall cash flow) would be appreciated by many of us since more and more from a lender's point of view we tend to judge creditworthiness by the margin between a company's total cash flow and his annual debt maturities plus capital expenditure requirements. From a lender's viewpoint, this is far more important than the accounting term net income or net operating income. Net income, of course, will remain of vital concern to the equity holder. In this connection, it is interesting to note that one of the age-old tests of credit "times interest earned" is no longer such a good test to most of us.

(d) It seems possible that more and more future credit extended to the railroads will have as its price some credit restrictions normal in most term loan agreements and indentures. Even equipment trust certificates might have such restrictions. Typical ones would be restrictions on total debt, on dividends and on maximum permitted annual debt maturities and/or equipment obligations. In addition, there might well be covenants requiring the maintenance of minimum net current assets.

(e) Since the U. S. Government —to the extent of $500 million at least—has recently shown that it has not completely forgotten the railroad industry and that it believes this industry is as entitled to direct government help as are other segments of the transportation world, it would seem appropriate for the railroads to work towards achieving such government support on a more workable basis than the government guaranteed loan provisions of the Transportation Act of 1958 seem to provide. Our lawyers have picked up some typical areas where this guarantee provision might be strengthened from the viewpoint of insuring ease of financing under it at good rates. I shall list a few: (the Ship Guarantee Act, as now written, has very few of these weaknesses and we have already seen how well that act is working).

(1) The authority to make guarantees might well be extended beyond its present cut-off date of March 31, 1961.

(2) The law at present indicates a guarantee of collection only which requires a lending institution to exhaust its remedies against the borrowing railroad before it can hold the government to its guarantee. (Ship mortgage loans are now covered by a guarantee of payment which allows the lender to hold the government immediately responsible upon any default of the borrower.)

(3) The purpose of the loans eligible for guarantee is for capital investment or maintenance only. It might be well to permit such loans for the all important commodity of working capital also. The restriction as to dividends has already been mentioned. This could, of course, raise serious problems with respect to preferred stock.

(4) The expenses of the lender apparently are not covered by the guarantee. Since the lender must exhaust his remedies against the borrower before proceeding against the government, these expenses might be considered.

(5) Most importantly, no money is appropriated by this statute and any funds to pay the guarantee must first be authorized by Congress. In this connection, I would like to quote the following comments from House Report No. 1953, 1958 U. S. Code, Congressional and Administrative News, No. 12 p. 2533, made at the time legislation was being sought to correct this defect in the Ship Mortgage Act:

"... In the absence of certainty that the necessary funds to pay accrued unpaid principal and interest of a defaulted insured mortgage will be available without delay investors in public issues of bonds secured by a Government insured ship mortgage do not find such issues attractive except at relatively high interest rates."

It might be well worth while to the railroads to institute a legislative program working towards the tying up of some of the loopholes outlined above.

Many will undoubtedly see many other chances to apply new financial media to the railroads' problem and many will undoubtedly see, more clearly than I can, possible insurmountable obstacles in trying to apply to the railroads some of the concepts I have listed. If only one works, we non-railroad experts may have contributed something towards a solution to rail financial problems and we will do everything in our power towards finding the best way out.

W. H. Newbold's Son & Co. Opens Haverford Branch

HAVERFORD, Pa.—W. H. Newbold's Son & Co., members of the New York Stock Exchange and other leading exchanges has announced the removal of their Ardmore, Pa. office to new and enlarged quarters at 354 Lancaster Avenue, Haverford, Pa., effective January 2, 1959.

George I. MacLeod will be manager of the office.

W. H. Newbold's Son & Co., founded in 1844, is the only investment securities firm with complete brokerage facilities on the Main Line.

The new office, in addition to Mr. MacLeod, will be staffed by four registered representatives, all residents of suburban communities. They are: Leslie A. Bryant; Walter R. Heed; Donald C. Esty and R. G. Kellett.

Joins Shaw, Hooker

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Barnett J. Sumski has been added to the staff of Shaw, Hooker & Co., 1 Montgomery Street, members of the Pacific Coast Stock Exchange.

Continued from page 6

No Hedge in Over-Valued Shares And a Not So Rosy Economy

dustrial Average, fewer and fewer stocks have been making new highs. This is typical of a broad distribution top of a bull market.

Time is running out on the stock market as most steady rises usually do not last over one year without a serious setback. The extreme weakness in the bond market has always meant trouble later for the stock market. Weak bond markets usually precede a stock market crash by about six months or more. No bull market in history has ever lasted very long in the face of a collapsing bond market.

The strength in the railroad stocks have not been backed by strength in railroad income bonds. If railroad prospects are as favorable as speculators hope, why then are not the income bonds which are now selling 30 to 40 points under par showing more strength? Relative lack of strength in railroad income bonds means that sophisticated investors do not believe that the railroad future prospects are too good.

The present wild boom in low-priced stocks is typical of the final stages of a bull market and now they have dipped down to Graham Paige, Avco, Hupp, Servel and Electrical Musical Industries being the leaders in the stock market. The leadership in the market has deteriorated to the very bottom of the barrel. The public owes today, between broker's loans and bank loans, nearly $5 billion on securities purchased on margin. This is the highest amount owed in the stock market since right after the crash of 1929.

A Not So "Rosy" Economy

The present state of economy is far from being as rosy as Washington and the public relations departments out of Madison Avenue would like us to think. First of all, the 1959 cars are a worse flop than the bad selling 1958 line that dragged the economy down last year. Retail sales of 1959 automobiles for the month of November were 14% below last year's bad figures. Inventories in November took a sharp jump of 130,000 cars to a total of 500,000. In 1954 the average monthly payment in buying a new car came to around $55 a month. Today the average monthly payment on the new high-priced monsters comes to $80 a month. The price of the cars have come up sharply, the insurance rates have doubled and carrying charges are much higher. With the great increased cost of living the American public can no longer afford to buy Detroit's over-grown and over-priced automobiles.

The lag in consumer credit is also proving to be a drag on the economy. Consumer credit has refused to increase like it did sharply in the early stages of the 1949 and 1954 recovery. Could it be that the American public is so over-loaded with consumer debt and now, with the cost of living increasing, he can no longer increase his debt burden and, therefore, the basis for an increase in demand for consumer durables does not exist.

Capital goods spending is in a continued slump with no signs of recovery despite all the optimistic statements from our Commerce Department, who think they can talk us baek to prosperity. Philadelphia is considered a key representative area in the United States. As Philadelphia goes, so goes the economy. The latest survey of the Federal Reserve Bank in Philadelphia shows that firms in this area will cut back their capital goods spending by an additional 14% in 1959. If capital goods spending continues downward, it will drag the whole economy with it in a new slump just like it did in 1930. In 1949 and 1954 a booming capital goods program by industry helped pull us out of the recession. In 1959 a slump in capital goods will help drag us downward.

The rapid decline this year in our exports is a very serious thing and this is adding a further drag on the economy. We do not believe the rose colored statements that our exports will pick up next year. How can they when the new European common market will tend to shut out our over-priced goods even more so. In 1930 the sharp decline in our exports was the thing that helped pull us into the depression.

The present continuing decline in exports, capital goods, and the flop of the 1959 automobiles will turn the present false recovery into a renewed business slump. At the same time the slump resumes in 1959 the downside will be given further impetus by a collapsing stock market. It now looks like the history of the late 1920s and early 1930s may be repeating again. The great postwar reconstruction boom is over and we have made all the classical mistakes of the past.

Charges Tight Money Blunder

Mr. Martin of the Federal Reserve once more has made a blunder in tightening money when he should be making it extremely easy. He will be forced to change the present tight money policy and swing over to the opposite extreme. As a result, good bonds today are selling at around their lowest level in the past 25 years. We expect a great boom in bonds and high grade preferred stocks in 1959. This is a good time to switch from low yielding stocks to high yielding bonds.

The great withdrawals of gold from the United States, in our opinion, represent our present inability to compete with our high labor costs, in a highly competitive world market. Industrial labor in the United States gets $2.05 an hour while in Germany they get only 55 cents an hour. Our costs of production, due to ever increasing labor demands, have put us in a very bad worldwide competitive position. The price of gold at $35 an ounce was set in 1934. Since that time, the actual purchasing power of the dollar has declined by over half. Also, during that time, the stock market has advanced nearly 1,000%.

Sees Gold Prevalued to $70 An Ounce

We believe, therefore, that it is just a matter of time before the dollar is formally devalued and the price of gold raised to at least $70 an ounce. The shrewd financial interests of Europe now realize this and are trying to get their gold out of the United States at $35 an ounce as quickly and unobtrusively as possible with the hope of later selling it back to "uncle sucker" at $70 an ounce, or more. We in the United States for a decade have squandered our resources on a world-wide basis, and those who received our charity are starting to desert our financial ship bv withdrawing gold.

Confidence is sinking fast in the United States dollar and in 1958 foreigners withdrew the largest amount of gold ever taken out of the United States in one year. Our gold reserve is now down to only around 20½ billion. Foreigners have short-term claims of $14 billion against this gold reserve plus their long-term claims on $8 billion.

Predicts Business Decline

I believe that a run will develop on the dollar, especially when our economy starts to turn down again. Also, many sophisticated American investors in order to protect themselves against the coming devaluation, will try to get their money out of the United States. Nineteen fifty-nine then looks like a resumption of the business slump and a major bear market decline. This in turn will cause a run on the dollar and will most likely force us to devalue the dollar some time in 1960.

The only hedge an investor has against the coming devaluation of the dollar is not in buying over-valued stocks but instead in buying some good high-yielding gold mine stocks with large reserves. Fortunately, for the investor who wants a dollar devaluation hedge, he will now find the gold stocks selling at low prices. This is because the United States Government in all its publicity has constantly denied any chance of the rise in the price of gold or the devaluation of the dollar. This they must do to the bitter end, but the fact is that the heavy withdrawals of gold prove to sophisticates that doubt exists on the dollar based on $35 an ounce gold.

Suggests Gold Shares

An excellent investment at this time is **Homestake Mining** which is the largest gold producer in the United States and presently yields 5%. The great added attraction is that they are bringing in large new uranium mines in the next few years that will double their earnings even if the price of gold is not raised.

Kerr-Addison Gold Mines is the largest gold producer in Canada and the big attraction here is their huge reserves which are getting considerably richer at depth.

Giant Yellowknife Gold Mines is an excellent low-priced speculation which sells for around 6 and yields 5%. This is a new mine with extremely large, rich ore reserves in the far north of Canada. Costs are high so a great leverage exists in case of a gold price rise.

Campbell Red Lake Mines is a rapidly growing rich gold mine that is discovering exceptionally rich ore at the deeper levels. This could turn out to be one of the richest mines in Canada. The dividend has recently been increased.

For those who want to speculate there are many legitimate penny gold stocks that have large reserves but are inactive. These penny gold prospects would become producers and go to dollars in case of a gold re-evaluation. Three very good penny gold stocks with top management are **Akaitcho Yellowknife** which is next to Giant Yellowknife, H. G. Young Mines which is next to Campbell Red Lake and **Consolidated Mosher** which has the largest undeveloped gold reserve in Canada.

The South African gold stocks are on the bargain counter paying extremely high yields. The two richest and fastest growing gold mines in South Africa are **FreeState Geduld** and **President Brand.** These are both high grade new producers in the Orange Free State.

The natural gas stocks, the good producing uranium mines, plus baking companies, are all presently on the bargain counter more or less and would continue to do well even in a business slump.

Following the crowd has never paid off in either investing or forecasting business. The present nearly 100% bullish consensus of our leading economic experts should be in itself a warning signal.

Securities Salesman's Corner

By JOHN DUTTON

Some Year-End Thoughts

Most of us know what we should do, but few of us do it. If we could take one lesson that life teaches us seriously enough to apply it in our daily lives, 1959 could certainly be the best yet. The calendar was one of man's most valuable inventions. It enables us to keep score on ourselves. The man who can take yesterday's lessons and apply that which he has learned to the problems of today will progress in every facet of his life. Such a man grows as long as he lives.

* * *

No man can successfully build an investment clientele of loyal and satisfied accounts without certain qualities of character that are enduring. He must be honest with himself, for no man that tried to fool himself ever succeeded. The job left undone stays to plague us; the research we should have completed, the contacts we should have made, the letter we should have written, the short-cut we took are all there UNDONE and we are the poorer for it. Self-discipline is the bed-rock foundation of a man's life. No one can live for us. How we live is up to us. We are the first to know when we have lived right and when we have lived wrong, and then the world knows it.

* * *

Unless we can feel that what we do has validity we can never achieve the satisfaction that comes from purposeful creativity. I would rather be a security salesman who does his modest job as well as a man could do it than the fellow who had the greatest potential for success in this business and who only used 10% of it. A man with a 10% effort not only will hurt himself but, in a business where you are dealing with people's lifetime savings, you can hurt them too.

* * *

Time is the most precious asset every living being either uses or loses as the minutes tick into hours and the days turn into years. To waste your time is to hold the gift of life in contempt. To know when to rest, to refresh your mind and body with energizing recreation is as important to living well as it is to be able to concentrate intensely on creative activity.

* * *

Medical science is making great discoveries about the human body and the relationship between physical wellbeing and mental health. You can study your own pattern of the days when you were more optimistic, purposeful, and courageous than you were at other times. There is much we have to learn about ourselves. Those who have faith in the great master pattern that fashioned this universe and all things in existence, can call upon their own source of inspiration and courage when insecurity and doubt come to them. No man who has lived a good life has been without his failures and his doubts, but such men have had a well-spring of faith upon which they relied that made them strong.

* * *

Our emotions are the driving force behind us, but our experience and memory are the switch and the throttle with which our reason and common sense should guide us in our decisions, the spoken word, and the deeds we perform. Anger is a normal reaction of primitive man and they say there is such a thing as righteous anger. No matter how right anger may appear, no man can afford it.

* * *

And with the permission of the unknown author of the following little gem may I say "Happy New Year".

"And now that the old year is
about to fade away,
These are my main regrets:
When I was right no one
remembered,
When I was wrong no one
forgets."

Phila. Secs. Ass'n Receives Slate

PHILADELPHIA, Pa.—Spencer D. Wright, III, of Wright, Wood & Co., has been nominated for president of the Philadelphia Securities Association, succeeding Leighton H. McIllvaine of Goldman, Sachs & Co., whose term is expiring.

S. D. Wrignt, III

Other officers nominated for the coming year were: Albert A. R. Wenzel of Francis I duPont & Co., vice president; William A. Webb of DeHaven & Townsend, Crouter & Bodine, treasurer, and Warren V. Musser of Philadelphia Securities Co., Inc., secretary.

Mr. McIllvaine has been nominated for the Board of Governors for a term expiring in 1960. The following have been nominated for the Board of Governors for terms expiring in 1961: Harry L. Heffelfinger of Samuel K. Phillips & Co.; Mr. Musser; Thomas P. Stovell of Provident Tradesmens Bank & Trust Co., and Mr. Wenzel.

The annual meeting and dinner of the Association will be held on Thursday, January 15, 1959, at the Warwick Hotel, Philadelphia. Members will vote on various amendments to the Association's constitution, including a proposal to increase the active membership to 300 from 275.

The following have been elected to membership in the Association: Samuel M. Kennedy of Yarnall, Biddle & Co.; W. Marshall Schmidt of Hornblower & Weeks; Edwin J. Pearson of Smith, Barney & Co.; Russell C. Shuler of The First Boston Corporation; H. Palmer Woodcock of Woodcock, Hess, Moyer & Co., Inc.; F. Stanton Moyer of Kidder, Peabody & Co.; Edward C. Bendere, Jr., of Eastman Dillon, Union Securities & Co.; and Edgar J. Loftus of W. E. Hutton & Co.

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Ronald L. Barkdoll has become affiliated with Dempsey-Tegeler & Co., Midland Savings Building. He was formerly with Walter & Co.

With Commonwealth Secs.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Pat Denardo has become affiliated with Commonwealth Securities Corporation, 30 East Town Street.

Guy M. Todd

Guy M. Todd, limited partner in Dominick & Dominick, passed away December 17th.

Railroad Securities

Reviewing 1958 and Looking Ahead to 1959

The nation's railroads in 1958 had one of their poorest earnings years since before World War II. Gross revenues for the year are estimated at around $9.6 billion, a drop of some $900 million under those of 1957.

The 1958 net railway operating income, according to estimates of the Association of American Railroads, was about $750,000,000, a decrease of about 19% from the $922,000,000 reported in 1957. Net income, after taxes and charges, is placed at $590,000,000, a decline of some 20% under the 1957 figure.

The hardest hit roads were those in the Eastern section of the country and in New England. Some of the Western and Southwestern carriers actually showed some improvement over 1957 or just about matched the preceding year's results.

Recently most roads have been showing some improvement in earnings. This has been due to a pickup in traffic, coupled with better control of expenses. With expenditures reduced, a further increase in carloadings should be reflected in improved income and comparisons in the early months of 1959 should show marked gains over 1958 when expenses were still at fairly high levels.

With carloadings down for the year about 15%, and passenger traffic off 10%, the lower 1958 net income reduced the rate of return on net investment to 2.7% as compared with the postwar average of 3.7%.

Capital expenditures in most cases were cut sharply, except in a few instances. Many of the roads attempted to keep equipment in good repair, but even this maintenance was reduced. Most of the new equipment purchases, both for new diesels and freight cars, was in the more profitable West and Southwest.

In 1958, the carriers did receive some relief from Congress through the Transportation Act of 1958. Lifting of the 3% Federal excise tax on freight shipments was of some help and the means of obtaining permission to abandon unprofitable passenger service was made easier and faster.

The railroads are expected to make renewed and strenuous efforts to obtain additional remedial legislation. Daniel P. Loomis, President of the Association of American Railroads, recently recommended five major policy changes in the Federal Government's position with respect to the railroads. These changes include:

(1) Grant railroads the same opportunity to provide transportation services by truck, airplane and barges on the same terms as anyone else.

(2) Apply adequate user charges on commercial carriers using tax-built and tax-free highways, waterways, airports and airways.

(3) Lighten the load of burdensome taxes on railroad properties.

(4) Accord more realistic income tax treatment of money spent for new railroad plant, facilities and train equipment.

(5) Remove discrimination against public carriers and travelers using these carriers through repeal of the Federal excise tax of 10% on passenger tickets.

Strenuous opposition to the foregoing proposals is expected from other common carriers, although they probably will go along with the rails in their efforts to obtain repeal of the 10% passenger excise tax.

Continued from first page

The Outlook for Credit, Interest Rates and Business

ever, will nonetheless be confronted with some troublesome problems in the year ahead.

The Lessons of 1958

The business recession of 1957-1958 was the sharpest in 20 years, but it was also one of the shortest in our modern economic history. Recovery, moreover, has been broad and vigorous. Although credit policy was aggressively easy during the recession and has been no more than neutral so far during the recovery, the rebound in interest rates after midyear was even more rapid than the previous decline, and this may have some bearing upon the outlook.

Recession and Credit Ease

Business activity reached its low point in April and turned up sharply thereafter, but credit continued easy and most money rates drifted downward until around midyear. The reasons were twofold: demands for short-term credit were slack and the Federal Reserve was continuing its policy of credit ease.

The bulk of the decline in bank loans was in loans to business, which dropped off considerably in the first few months of 1958. Particular weakness was evident in loans to metal, petroleum, coal, chemical, utility, railroad and sales finance companies, but most other categories of business loans also declined. This helped impart an easier tone to the credit environment, even though real estate loans and, especially, loans on securities increased.

In addition, the Federal Reserve was following an aggressively easy credit policy. From November 1957 through June 1958, the Federal Reserve released over $3.6 billion of reserves to the banking system through open market operations and reductions in reserve requirements. Assuredly, nearly $1½ billion of the reserves so provided went to offset the persistent outflow of gold which began in February, and another $750 million was used to reduce member bank borrowings to nominal levels. However, this still left almost $1½ billion of additional reserves to support the acquisition of Treasury securities and other investments by the commercial banks, and the banking system rapidly and energetically put these additional reserves to use.

The vigor and efficacy of the Federal Reserve's easy credit policy in this period is strikingly illustrated by the phenomenal expansion in total bank loans and investments—the most meaningful measure of the amount of credit made available to the economy by the commercial banking system. In the four months from the beginning of March—when member bank borrowings had been reduced to nominal levels—through June, bank loans and investments in the aggregate increased by over $11 billion, or about 7%. This is the largest and fastest rise in bank credit ever registered in peacetime. With so huge a volume of short-term credit injected into the market place, it is not surprising that money market rates continued to sag even after business activity had turned the corner.

The Recovery

The rebound in interest rates, when it came, was even stronger and faster than the previous decline. The shift in the trend was sparked by the growing evidence that business was recovering, by the realization that credit therefore was unlikely to be eased further, and by a resurgence of inflationary psychology.

Federal Reserve policy in fact turned less easy after the middle of 1958. Reflecting the sharp rise in money market rates, the discount rate was raised in two steps from 1¾ to 2½% and reserves were provided much less freely than in the early part of the year. Despite the recoil of business from the trough of the recession, however, credit policy has not yet retraced its course in any substantial way. At no time through the end of 1958 could Federal Reserve policy be described as tight or restrictive; at most, one may say that the Federal Reserve has backed away from aggressive credit ease into a more neutral position.

Nor have demands for short-term credit shown any robust recovery. Bank loans to business advanced in the second half of 1958, in contrast to the decline in the comparable period of 1957, but this has been due in large part to a smaller decrease in loans to sales finance companies. It is only for food companies and so-called "miscellaneous" business borrowers that loan demands have been notably stronger than in the corresponding period of 1957.

Money market rates and bond yields, however, have outdistanced the relatively moderate changes in credit policy and credit requirements. A contributing factor undoubtedly was the liquidation of speculative purchases of government securities, many of which had been acquired on very thin margins in late 1957 and the first half of 1958, when prospects seemed to favor a protracted period of credit easing. The rapid advance in interest rates took place despite support purchases in June and July of nearly $2 billion of government securities by the Federal Reserve and the Treasury. At the end of 1958, most rates and yields were substantially above their midyear lows; money rates were still well below their peaks of the previous year. but some bond yields had reached the high marks of 1957.

Expectations vs. Reality

The record of 1958 supports two pertinent observations. The first is that market sentiment has a powerful effect upon the behavior of interest rates. In November 1957, spurred by the first reduction in the discount rate, the market began to reflect the widespread expectation of an aggressive easing of credit by the Federal Reserve; moreover, the severity of the drop in business activity encouraged the belief that very low interest rates would prevail for some time to come. In the summer of 1958, as the economy resurged with unexpected vigor, the prevailing expectation was for renewed inflation and a return of tight credit. In both phases, as noted, market fluctuations were accentuated by the consequences of speculation in treasury obligations.

The second observation is no less important. Although the amplitude of the swing in interest rates was greatly enhanced in both directions by exaggerated expectations regarding the future, neither the timing nor the direction of movements of interest rates appear to have been significantly affected. Had expectations been less extreme and more accurate, the changes in the bond and money markets presumably would have been more moderate, but the basic trends would probably not have differed very much. Despite the unusually strong effects of psychological factors, the direction of interest rates continued to respond to general business conditions, Treasury debt management, and the policies of the Federal Reserve.

This conclusion is reassuring; it suggests that after due weight has been given to the imponderables of public sentiment in appraising the outlook, we may continue to look to basic economic factors as the key determinants of credit trends and market prospects.

Business Prospects and Credit Needs

Unlike a year ago, the economic trend today is clearly pointing upward. The major factors that contributed to the steepness of the recession — liquidation of inventories, cutbacks in business investment outlays, the drop in automobile sales and the downtrend in home building—have spent their force and appear to be reversing themselves. New peaks of output and activity are in prospect for 1959.

Economic expansion is almost always associated with rising demands for short-term credit. However, the extent to which this will apply to the year ahead cannot be measured with any degree of assurance. The variables that affect credit requirements—such as business and price trends, liquidity, credit policy and alternative avenues of financing—are too numerous and too complex for quantitative analysis and forecast. Some general notions, however, may be gleaned by comparing the present situation with conditions that prevailed four years ago, when the economy was also emerging from a recession.

Pattern of Business Activity

In many ways, the current economic environment does indeed bear a striking resemblance to that of early 1955. The rise in industrial production in recent months has been generally comparable with that of the earlier recovery period. Then, as now, inventories had been liquidated on a sizable scale; this phase was followed by a renewed build-up which gained momentum as 1955 progressed. Today, too, some accumulation is anticipated for the year ahead, especially as the prospect of a troubled labor scene may provide added incentive to stock up in the months to come, giving a concomitant boost to the borrowing needs of business. Total construction activity is also rising, as it did in the previous recovery period.

In other respects, however, the outlook today differs from that of four years ago. Then, there was considerable talk of scarcities of important raw materials and shortages of industrial capacity, and this helped lay the foundation for the ensuing sharp rise in plant and equipment outlays which became an important source of credit needs as the investment boom took hold. Today, raw materials are plentiful, while industrial capacity is not only much more abundant but is being utilized less intensively. Outlays designed to modernize facilities and improve efficiency may show some strength in 1959, but there is no evidence as yet of any widespread desire to increase outlays for additions to capacity. Thus, while a renewal of the business investment boom is likely at some point in the future, it is doubtful that this will develop soon enough to affect credit needs importantly in 1959.

Another important differnce is in the prospective demand for consumer credit, which is closely linked to the outlook for automobile sales. While sales of new passenger cars are generally expected to be in the range of 5½ to 6 million in 1959, compared with the 4½ million estimated for 1958, this would still be far below the record 7.2 million of 1955. Thus, while 1959 may show a large increase in consumer credit, the increase should fall considerably short of the $5.4 billion of 1955, and the bank-held portion should advance by a smaller amount than the $2.3 billion rise registered in that year.

Prices

The course of prices is a further important factor in the credit outlook. Indeed, since the gross working capital of corporate business alone is currently estimated at more than $236 billion, a 1% advance in prices and costs may add close to $2½ billion to such requirements.

Since midsummer, the price index of industrial products has been inching upward—reminiscent of its behavior in the early stages of the 1954-55 business recovery. About mid-1955, however, the price rise began to quicken, and by the end of 1956, this index had increased by about 8%. Whether a similar experience lies ahead is currently a subject of debate, so far, prices have been restrained by the swift improvement in productivity and the presence of large unused industrial capacity. As the speedy advance in output that is characteristic of the first phase of a recovery slackens, however, the rise in productivity must be expected to slow down, while capacity should gradually become more fully utilized.

In addition, there is every prospect of further pressure from the side of the wage-cost-price spiral. Large and costly wage demands loom ahead, and while it is not possible to forecast the extent to which they will be met or the extent to which prices will be increased as a result, it seems reasonable to expect that the trend of costs and prices—and hence of financing requirements from this source—will be upward.

Liquidity

Yet another pertinent consideration is that business enterprise has entered the current recovery in a far less liquid position than in 1954 or, for that matter, than at the start of any previous business upturn in recent history. In the middle of 1954, the liquidity ratio of nonfinancial corporations —that is, the ratio of cash and government securities to current liabilities—was about 52%. However, liquidty continued on the generally declining trend it had been following in the postwar era and reached a low of 39.0% in September 1957. Only slight improvement was achieved during the recession; the ratio in September 1958 was 42.5%. Some further increase has apparently taken place in recent months, but corporate liquidity is still well below the average of recent years.

Assuredly, there is no fixed standard of corporate liquidity which must be maintained; liquidity could conceivably decline to new lows without unsettlement to business or credit conditions. Also, cash flows are increasing with better profits and rising noncash expenses. Nevertheless, it is difficult to avoid the conclusion that business in general is less plentifully provided with the resources for financing another large increase in inventories and receivables, the usual corollaries of expanding business. Should the economic trend continue upward, therefore, it would appear that business enterprise sooner or later will have to place considerable reliance upon the credit markets, including the commercial banks, for the financing to cover these needs. These needs would be enhanced if, as seems possible, costs and prices also resume their upward course.

Financing the Treasury

Adding to the prospective demands for short-term credit in 1959 are the financing problems of the Treasury. These are likely to be far more troublesome under current conditions of a substantial budget deficit than in the calendar years 1955 and 1956, when the budget was running a surplus. The dimensions of the problem depend upon the size of Treasury receipts and expenditures, which may not become discernible for some months, but as of today it is reasonable to guess that a budget deficit of about $5 to $6 billion may be in store for the calendar year 1959. In addition, some $48.6 billion of marketable Treasury securities (excluding weekly bills) will require refinancing in the course of the year, and will entail some cash attrition.

There is little disagreement that in an inflationary environment, the Treasury should do as much financing as possible outside the banking system and place minimum reliance upon short-term obligations. In recent months, the Treasury has succeeded in lodging a respectable amount of new securities outside the banking system, albeit at short term. Business corporations, which in recent months have improved their liquidity through the sharp rise in profits, have been important buyers. Also, the rise in interest rates has made short-term Treasury obligations attractive once again to foreign banks and other investors.

Some further increase in nonbank holdings of Treasury obligations in 1959 is a reasonable expectation. If the improvement in profits persists, business corporations will probably continue to add to their Governments, although not at the rate of recent months; the margin between tax accruals and payments may be expected to narrow while outlays for inventories and for plant and equipment may be advancing, at least moderately. It may be possible also to find a market for a modest amount of Treasury bonds among savings institutions as a group, and if the interest rates are attractive, other investors, too, may increase their portfolios. Nevertheless, it appears that the Treasury will find it necessary to rely upon the commercial banks to absorb a substantial part of the increase in its debt in 1959. This prospect is in striking contrast with the experience in 1955, when the commercial banks offset some 60% of the rise in their loans and other securities through liquidation of Treasury obligations.

The Commercial Banks

The commercial banking system enters 1959 with the amount of bank credit and deposits at record heights, and materially above a year ago. The ability of the commercial banks in the aggregate to add to their Government security portfolios depends upon credit policy, that is, upon the volume of bank reserves made available by the Federal Reserve System. The expansion of bank loans, however, may be affected by additional factors which merit comment.

Lending Capacity

Despite some contraction of bank loans in the recent brief recession, total bank loans are estimated to have increased in 1958 as a whole to a new record, some $3 billion or so above a year ago. This, incidentally, places loans some $26 billion, or 37%, above the close of 1954.

That commercial banks have entered the business recovery in a relatively highly loaned position is further indicated by the ratio between capital funds and risk assets. This ratio stood at 16.2% in mid-1954, dropped to 14.7% in mid-1956, and had recovered only slightly to about 15.0% as of mid-1958. Assuredly, as in the case of corporate financial ratios, no particular significance should be attached to any specific numbers, especially since this ratio has been in a declining trend for several decades. Nonetheless, banks are reluctant to allow their ratios to deviate materially from those of their competitors and the banking system in general. This situation is not likely to inhibit a further rise in bank loans in 1959, but it does suggest that commercial banks will be less aggressive in their lending policies, particularly in the term loan field, than was the case in the previous business expansion.

A related consideration is the fact that loans now comprise a substantially larger proportion of deposits—some 47%—than at the end of the 1954 recession, when the ratio had been about 39%. Here again, the ratio by itself is not very meaningful: it has been rising for many years and is still significantly lower than it was prior to the Great Depression. However, here again there is support for the thesis that lending policy is likely to be less aggressive than it was four years ago.

Liquidity of Banks

Additional evidence to bolster this general conclusion is provided by the relatively low liquidity of the commercial banks as a group. The banking system added some $9 billion to its investment in Government obligations in 1958, and its liquidity has improved somewhat as a result, but holdings of short-term Treasury securities, relative to assets and deposits, are still lower than in any postwar year prior to 1955.

Implications and Conclusions

This brief review of salient factors and prospects in the credit markets leads to some conclusions that are not altogether comforting, and raises some vexing questions.

(1) If, as appears probable, the cyclical rise in business activity carries through 1959, the demand for bank loans will assuredly advance. At present, the prospects for automobile sales and business capital expenditures suggest that the rise may be considerably smaller than in the record year 1955 — perhaps, as a stab in the dark, one may guess a figure about half as large as the $12 billion expansion in commercial bank loans that took place in 1955.

(2) Partly because of the budget deficit and the financing problems of the Treasury, however, the commercial banks may be expected to add to their holdings of Government obligations in the year ahead, in contrast to their large liquidation of such securities in 1955. Hence aggregate demands for bank credit in the year ahead will probably exceed considerably those of 1955.

(3) The experience of the past year has emphatically demonstrated the folly of attempting to outguess market expectations and their impact upon rates and yields. The prospect of large credit demands in the aggregate and of further cost and price inflation support the likelihood of additional upward pressures upon short-term interest rates in 1959. However, the rapid rebound of interest rates after mid-1958 doubtless anticipated these possibilities to some extent.

(4) This combination of expanding business, widespread inflationary psychology and Treasury deficit financing greatly complicates the task of the Federal Reserve, even though the reduced liquidity of business and banking, compared with four years ago, may help make a restrictive policy more effective. Credit policy may be expected to remain cognizant of the Treasury's financing problems, which presumably means supplying additional reserves to the commercial banks; however, such reserves are not likely to be made available on generous terms. The Treasury, in turn, will presumably adapt its financing to conditions in the credit market and will not look to the Federal Reserve to facilitate its task by easy credit policies, inappropriate in an environment of expanding business and rising prices. The result of this combination may well be a generally firm level of interest rates but nevertheless a greater expansion in the money supply than is consistent with an effective anti-inflationary policy.

(5) As regards the longer term, it would be well to keep in mind the lesson of the 1954-57 cycle, namely, that when the economy again faces a combination of booming activity in consumer durable goods and a broad advance in business investment, as it surely will one day, demands for short-term credit will rise rapidly and materially, unless meanwhile, in some way not clearly discernible today, we shall have succeeded in halting the persistent rise in wages, costs and prices.

With Hathaway Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Francis S. Beal has been added to the staff of Hathaway Investment Corporation, 1845 Sherman Street.

Russell Inv. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Kenneth E. Stephen has been added to the staff of Russell Investment Company, Boston Building.

Graham & King Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Theodore J. Christo has been added to the staff of Graham & King, Inc., 16 Court Street.

With Hutchins, Mixter

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Howard A. Smith is associated with Hutchins, Mixter & Parkinson, 10 Post Office Square, members of the New York and Boston Stock Exchanges.

Joins Leavitt, Spooner

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Peter J. Huberman has joined the staff of Leavitt, Spooner & Company, 585 Boylston Street, members of the New York Stock Exchange.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Thomas H. Roulston II has been added to the staff of Paine, Webber Jackson & Curtis, Union Commerce Building.

Joins Central States

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio—Robert P. Weisberger has become connected with Central States Investment Co., Walpark Building.

McCormick Opens Branch

SAN FRANCISCO, Calif.—McCormick & Co. has opened a branch office at 315 Montgomery Street under the management of Forrest Lee.

H. Carroll Brown

H. Carroll Brown passed away Dec. 28 at the age of 84. Mr. Brown in the past had for many years been a member of the New York Stock Exchange.

Clarence H. Young

Clarence H. Young passed away Dec. 26 at the age of 76 following a long illness. He had been a special partner in Joseph Walker & Sons.

Continued from page 4

The State of Trade and Industry

time. Order backlogs, however, are expected to show steady improvement throughout the coming year. The predicted higher sales volume will result in lengthening delivery times and a return to more normal backlogs and schedules.

Meanwhile, "The Iron Age" stated the coming year will be a big one for the steel industry if it can get by without a strike.

The upturn in the economy has brightened the market outlook for the mills. Market analysts are predicting the industry will turn out as much as 115,000,000 ingot tons in 1959. This would be the third best year in history. It compares with 1958 output of 85,000,000 tons, which was twelfth or thirteenth best.

Steel labor is the fly in the ointment, according to "The Iron Age." The mere possibility of a strike will make the first half of 1959 look better than it really is due to hedge buying prior to expiration of labor pacts on July 1. Production may hit near-capacity levels during this period, probably late in the second quarter. A prolonged strike would wipe out all the gains of the first half, it warned.

Stressing overtime in its operations, the auto industry scheduled its Christmas week production 30.9% above the same holiday week last year, "Ward's Automotive Reports," noted on Friday of the past week.

Reporting a decline in car and truck output to 120,953 vehicles from 159,369 two weeks ago, it noted that all manufactures shoved their factory output above the same week last year as a prelude to an increased manufacturing tempo in 1959.

Highlighting last week's operations was the return to assembly by Chrysler Corp. following an 18-day strike at Dodge Main in Detroit which resulted in a 35,000-unit production loss for the company. On the truck front International Harvester remains strike-bound.

The statistical service observed that the past week's Thursday holiday was followed by extensive overtime manufacturing Friday and Saturday, resulting in production of the industry's 5,000,000th United States car or truck of the year.

It added that the post-introductory period demand for 1959 model cars continued to increase in the Dec. 11-20 period, brightening hopes for a 500,000-unit sales volume this month.

Plans are, "Ward's" declared, to enter calendar year 1959 with United States passenger car production geared near the 550,000-unit level, equivalent to a better than 6,000,000-unit annual rate that promises substantial factory employment as the new year opens.

November volume of building permits was down considerably from the prior month, but a noticeable rise over the similar 1957 month occurred, Dun & Bradstreet, Inc., reports. The total for 217 cities including New York was $485,756,268, or a gain of 27.6% over the $380,817,963 of November 1957, but 23.3% below the prior month's total of $632,860,417. The current level was 0.8% below the record November level of $489,401,866 that occurred in 1956.

Building permit values in the 217 cities for the first 11 months of this year came to $6,440,553,713, a record for the cumulative period. The total was 14.7% higher than the $5,613,182,244 of the comparable 1957 period and up 10.8% over the $5,810,528,993 of 1956, the previous record.

Steel Output Set to Rebound to 75.8% of Ingot Capacity in Post-Christmas Week

A sharp upturn in steelmaking after the holidays was predicted on Monday last by "Steel" magazine.

As business activity improves, consumers will start using steel at a faster rate, the metalworking weekly commented. Since their inventories are low, they will have to offset faster consumption with increased buying.

Although steel buyers can still obtain most products within three or four weeks, they face extended deliveries on cold-rolled sheets. Most mills require six weeks' leadtime and at least one is sold out through February.

If the automakers come into the market for bigger tonnages, lesser buyers may have to wait for two months. Demand for galvanized and aluminum coated sheets is so strong that several producers have closed their first quarter books.

While some consumers are boosting their purchases for immediate consumption, others will be looking to the future. If they think a steel strike is inevitable, they will jack up their inventories.

Market analysts think the inventory buildup will be about 4,000,000 tons, all in the first half. If there is a strike, inventories will be reduced by about 6,000,000 tons a month.

Because of the Christmas holiday, steelmaking operations fell 6 points last week to 69% of capacity. Production was about 1,835,000 net tons of steel. District rates follow: Chicago at 86% of capacity, up 1 point; Detroit at 86, down 8 points; Cincinnati at 82, down 0.5 point; Western district at 79, down 0.5 point; St. Louis at 73, down 21 points; Birmingham at 71.5, up 4.5 points; Wheeling at 71, down 14 points; Cleveland at 66, down 7 points; Buffalo at 66, no change; Pittsburgh at 63, down 7 points; Eastern district at 57, down 15 points and Youngstown at 50, down 12 points.

December's output was 8,600,000 tons. Production in the fourth quarter was 26,000,000 tons. The total for 1958 was almost 85,000,000 ingot tons.

An upturn in prices of steelmaking scrap last week may presage the anticipated pickup in steel operations. "Steel's" price composite was up 49 cents to $39.66 a gross ton, the first advance since the week ended Nov. 5. The improvement reflected an order from a Pittsburgh mill for substantial first quarter tonnage. Many industry observers look upon scrap as a barometer of steel production.

Machine tool builders expect a slow, gradual upturn in new orders over the next two years, but the pickup will not equal the boom of the mid-fifties, "Steel" added. With well over $1,000,000,000 a year capacity, the industry sputtered through 1958

Continued on page 28

Form Oil Properties Inc.

MATTOON, Ill.—Oil Properties, Inc., is engaging in a securities business from offices in the Petroleum Building. Officers are Richard R. Gray, President; Hazel L. Gray, Vice-President; and Betty J. Stark, Secretary.

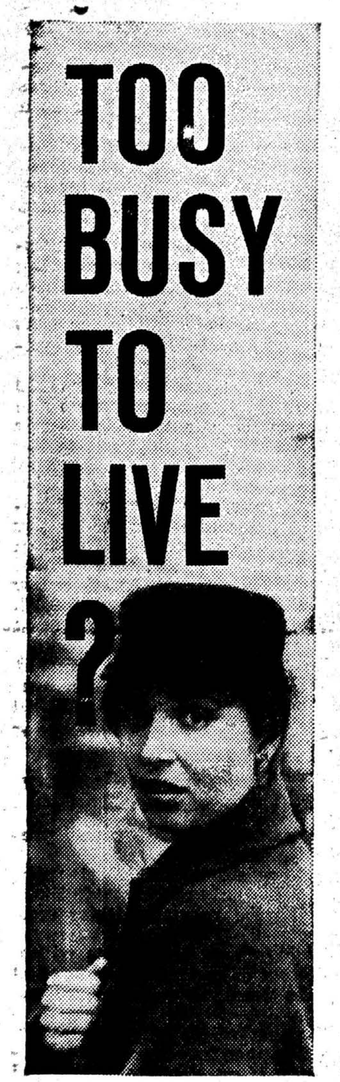
With Lloyd Arnold

(Special to The Financial Chronicle)

BEVERLY HILLS, Cal.—Bobbe P. Kurtz has joined Lloyd Arnold & Company, 364 North Camden Drive. Mr. Kurtz was formerly with L. A. Huey Co. in Denver, and Carroll & Co. in Beverly Hills.

Thomas F. Wilcox

Thomas F. Wilcox, partner in Wilcox & Co., New York City, passed away Dec. 28 at the age of 80 following a long illness.



Are you really too busy to have a health checkup once a year? Or do you put it off because you're afraid your doctor might find something wrong?

If it's cancer you're worried about, remember that doctors are curing many more cancers than they could ten years ago. 800,000 Americans are alive today, cured of cancer . . . many of them because they had made a habit of having annual checkups no matter how well they felt . . . all of them because they went to their doctors in time! Make annual checkups a habit . . . for life!

AMERICAN CANCER SOCIETY

Continued from page 27

The State of Trade and Industry

with $360,000,000 in new orders, roughly 35% of capacity. Now the builders expect a modest upturn, but they are afraid they will be going at less than 50% of capacity in 1959 and 1960.

Here is the outlook as seen by 78 builders who reported their opinions to "Steel": 1959 new orders will reach $455,000,000. In 1960, they will climb to $580,000,000.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *127.3% of steel capacity for the week beginning Dec. 29, 1958, equivalent to 2,045,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *114.5% of capacity, and 1,840,000 tons a week ago.

Output for the week beginning Dec. 29, 1958 is equal to about 75.8% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 68.2% the week before.

For the like week a month ago the rate was *123.6% and production 1,985,000 tons. A year ago the actual weekly production was placed at 1,501,000 tons or 93.4%.

*Index of production is based on average weekly production for 1947-1949.

Electric Output in Christmas Week Receded from All-Time High Record of Prior Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 27, 1958 was estimated at 12,379,000,000 kwh., according to the Edison Electric Institute. Output the past week receded from the new all-time high record set in the preceding week.

For the week ended Dec. 27, 1958 output decreased by 1,155,000,000 kwh. below that of the previous week but increased by 1,161,000,000 kwh. above that of the comparable 1957 week and by 1,183,000,000 kwh. above that of the week ended Dec. 29, 1956.

Car Loadings Dropped 3.0% Under Preceding Week

Loadings of revenue freight in the week ended Dec. 20, 1958 were 17,920 cars or 3.0% below the preceding week.

Loadings for the week ended Dec. 20, 1958 totaled 570,927 cars, a decrease of 19,387 cars, or 3.3% under the corresponding 1957 week, and a decrease of 127,497 cars, or 18.3% below the corresponding week in 1956.

Car and Truck Output Cut Sharply in Christmas Week

Passenger car production for the week ended Dec. 26, 1958, according to "Ward's Automotive Reports," was sharply curtailed chiefly as a result of the Christmas holidays. However, Christmas Day was followed by extensive overtime work on Friday and Saturday, resulting in the output of the industry's 5,000,000th United States car or truck of the year.

Last week's car output totaled 106,088 units and compared with 135,964 (revised) in the previous week. The past week's production total of cars and trucks amounted to 120,953 units, or a decrease of 38,416 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 29,876 units, while truck output declined by 8,540 vehicles during the week. In the corresponding week last year 79,945 cars and 12,397 trucks were assembled.

Last week the agency reported there were 14,865 trucks made in the United States. This compared with 23,405 in the previous week and 12,397 a year ago.

Lumber Shipments Fell 0.5% Below Output in the Week Ended Dec. 20, 1958

Lumber shipments of 464 reporting mills in the week ended Dec. 20, 1958 were 0.5% below production, according to the "National Lumber Trade Barometer." In the same period new orders were 8.6% above production. Unfilled orders amounted to 35% of stocks. Production was 1.6% below; shipments 1.8% above and new orders were 4.7% below the previous week and 21.4% above the like week in 1957.

Business Failures Were Lower in Holiday Week

Commercial and industrial failures fell to 185 in the week ended Dec. 25 from 251 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this Christmas decline, however, casualties exceeded moderately the 166 occurring in the similar week last year and the 174 in 1956. Failures were 3% fewer than in the prewar 1939 when they totalled 190.

All of the week's decrease was concentrated among failures involving liabilities of $5,000 or more which dropped to 153 from 231 in the previous week but remained above the 142 of this size a year ago. Small casualties under $5,000, rose to 32 from 20 last week and 24 in the similar week of 1957. Liabilities ranged above $100,000 for 21 of the week's failures as against 25 in the preceding week.

Fewer businesses failed during the week in all industry and trade groups. The retailing toll declined to 87 from 111, manufacturing to 33 from 47, construction to 28 from 41, wholesaling to 21 from 30 and commercial service to 16 from 22. More retailers, contractors and service concerns succumbed than in the comparable week last year. Wholesaling mortality held even with 1957, while the toll among manufacturers dipped slightly from a year ago.

All geographic regions except the West North Central States reported a holiday downturn in casualties. There was a slight dip in the Pacific States to 57 from 60; a stronger decline prevailed in the Middle Atlantic States, off to 66 from 89 and in the East North Central States, down to 29 from 37. Five of the nine major regions suffered more failures than last year. The most noticeable rise from 1957 took place in the Pacific States, while moderate increases occurred in the North Central and South Central States. Four regions had lower tolls than last year.

Wholesale Food Price Index Moved Fractionally Higher the Past Week

Following three consecutive weeks of declines, the wholesale food price index, compiled by Dun & Bradstreet, Inc,, rose fractionally last week and was slightly higher than a year ago. The index for Dec. 22 was $6.38, up 0.3% from the $6.36 of a week earlier, and 1.1% higher than the $6.31 of the comparable date a year ago.

Higher in wholesale cost the past week were flour, hams, lard, cocoa and steers. On the down side were wheat, oats, butter, sugar and cottonseed oil.

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 Set a New 1958 Low the Past Week

Although the Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., fell to 273.90 another new 1958 low on Dec. 19, it moved up to 275.50 on Dec. 22. This compared with 274.70 a week earlier and 278.44 on the comparable date a year ago. The week-to-week rise was due to higher prices of most grains, livestock, rubber and coffee.

There was a slight rise in both domestic and export buying of wheat during the week. Supplies were light and wheat prices moved up slightly. Purchases of rye were steady with prices fractionally higher than a week earlier. Although volume in soybeans declined somewhat prices held steady. Trading in corn fell moderately as well as prices.

Although transactions in flour lagged the past week, prices moved up as supplies in some markets were light. The buying of rice strengthened and supplies were reduced. Further reductions in rice stocks are anticipated as export buying picks up. Rice prices were unchanged from the pricr week.

While turnover in cocoa was the same as a week earlier, prices showed appreciable improvement. Sugar prices slipped somewhat as trading faltered. Wholesalers reported a moderate pick-up in coffee transactions along with a slight increase in prices during the week.

There was a slight rise in the salable receipts of cattle in Chicago the past week. Wholesale buying showed noticeable expansion. Prices on steers climbed appreciably over the prior week. Hog prices rose considerably as trading picked up with supplies close to those of a week earlier. A slight dip in lamb prices occurred during the week, but buying was unchanged. Following the trend in hog prices, lard prices at wholesale advanced somewhat during the week.

Cotton prices on the New York Cotton Exchange were close to those of the prior week, in slackened trading. Domestic consumption of cotton averaged 33,600 bales per day in November compared with 33,300 in October and 32,600 in November a year ago. United States exports of cotton in October came to 181,000 bales against 212,000 bales in September and 484,000 bales in October 1957.

Trade Volume Reached a Record Level in Christmas Week

There was an upsurge in last-minute Christmas shopping a week ago boosting the total dollar volume of retail trade for the entire Christmas selling season to a record level, slightly exceeding the previous high set last year. Shoppers were primarily interested in women's fashion accessories, men's furnishings, traditional gifts, toys, glassware and holiday food specialties. A marked rise in sales at suburban stores in many areas offset the effects of bad weather and the newspaper strike in New York City.

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: East North Central, East South Central and Mountain States +1 to +5%; West North Central 0 to +4; Middle Atlantic, South Atlantic, West South Central and Pacific Coast —1 to +3 and New England States —2 to +2%.

Best-sellers in women's apparel last week were sportswear, fashion accessories, dresses, lingerie and cosmetics and sales were up substantially over a year ago. Slight year-to-year gains occurred in furs and winter coats. Increased buying of men's furnishings and hats stepped up over-all volume in men's apparel to slightly exceed that of a year ago. Interest in men's suits and topcoats was close to that of the similar period last year. Apparel stores reported appreciable gains from a year ago in children's clothing, especially girls' sweaters and skirts and boys' shirts and slacks.

In preparation for post-Christmas sales promotions, retailers stepped up their buying of linens during the week and volume matched that of a year ago. The call for draperies and floor coverings dipped from the prior week. Sales of housewares, glassware and kitchen utensils were down appreciably. While volume in most major appliances dipped during the week, the buying of lamps, lighting fixtures and television sets remained close to that of a week earlier. There was a moderate decline in furniture orders.

Although there was a moderate decline in orders for frozen vegetables and citrus juice concentrates, wholesale stocks were still limited. There were further gains in purchases of holiday food specialties, poultry, fresh meats, nuts and candy.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 20, 1958 advanced 3% above the like period last year. In the preceding week, Dec. 13, 1958 an increase of 3% was reported. For the four weeks ended Dec. 20, 1958 a gain of 3% was registered. For the period Jan. 1, 1958 to Dec. 20, 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. 20, 1958 showed a decrease of 3% from that of the like period last year. In the preceding week, Dec. 13, 1958 an increase of 5% was reported. For the four weeks ended Dec. 20, 1958 an increase of 3% was noted. For the period Jan. 1, 1958 to Dec. 20, 1958 an increase of 2% was registered above that of the corresponding period in 1957.

Continued from page 6

Today's Stock Market— The Myths and the Facts

then the entry into the market of people of average means is an unhealthy development.

The enormity of this fallacy is so great it is difficult to know where to strike it first. There is no way, for example, to ignore the real ingredient of our economic growth. Throughout our history people have willingly, and in their own self-interest, risked the money we needed for new plants, new tools, new jobs and new products.

And the fact is that over the last decade America has gone through a greatly-intensified but quiet economic revolution. The mystery has been taken out of investing and the base of ownership has broadened decisively. This "base" now includes millions of people in the middle-income ranges. Our serveys tell us that between 1952 and 1956 the share-owning population jumped one-third to over 8.6 million. Two-thirds of today's capitalists have incomes under $7,500. Most of them are in the market for the long term. They appreciate the risks they have taken. And they are documenting the fact that the man-in-the-street can, indeed, directly own the plants and tools with which he works.

In addition, some 100 million Americans are indirect shareowners through their investments in insurance and pension programs, banks and other financial institutions which own stock. Next spring, incidentally, we shall have the results of a new census which traces the rise of shareownership between 1956 and the present. It will, I expect, add further evidence that we are emerging as a nation of shareowners.

Public Is Investment-Minded; Institutions Are Playing a Key Role

Myth number four holds that today's market is overly-speculative. It says that investors are on a get-rich-quick binge—and this has caused stock prices to move upward.

What are the facts? Late last September we took our latest Public Transaction Study—a portrait of who's in the market and why. Though market volume had risen substantially we found a majority of the public was still investment-oriented. Most of the people who bought and sold on the two days studied indicated they either had kept, or intended to keep, their securities for more than six months. Even more significant, we found a sharp rise in the number of shares bought and sold by institutions. The latter accounted for 4.1 million of the 17.8 million shares traded. And it is safe to say, I think, that along with most people in the market, our great institutions are hardly susceptible to a get-rich-quick psychology. They are in the market for the long run. And they appreciate—along with most of the public—a central fact about our current economy: we are faced with serious threats of still further inflation. Accordingly, investors who are confident about the future of our corporate businesses, are increasingly seeking to protect their future purchasing power. While there is no foolproof hedge against inflation, in the course of our history, the value of shares of stock has had a tendency to keep pace with the cost of living.

At the same time, I should like to make two things abundantly clear. The first is that the market as a whole has been much more selective than the popular averages indicate. Some 40% of the common stocks listed on the Exchange are, at present, selling below their 1946 highs. No single statistic I know of emphasizes so clearly the risks—as well as the rewards—that go with shareownership.

The second point I want to stress is something every investor should know — particularly at a time when more people appear to be focussing on nearer-term goals than in the past. This is that buying stocks simply because prices are rising is rarely a sound technique. There is no substitute for studying the merits of a particular issue, and then deciding with the help of a reputable broker whether the stock meets one's personal needs. The worst enemy most investors face is that ubiquitous and untraceable "hot tip." Their best friend is a broker who provides full facts and measured judgments.

Such guidance is the essential function of our Member Firms. They are in the business of providing service — and their chief assets is a satisfied customer.

The Exchange and its Member Firms in recent years have dedicated much of their efforts to the idea that shareownership can be broadened on a sound basis so that the nation can obtain the billions of dollars of growth money it needs. We have stressed the need for undertanding and tailoring risks to what the individual can afford. We have emphasized the necessity for determining one's investment objectives, keeping a reserve of cash and government bonds for life's emergencies and getting the facts and good advice. With these guideposts in mind, a nation of investors can make significant progress in meeting their own and the country's long-range economic requirements.

Market Using Modest Credit; Latter Must Keep Pace With Economic Growth

Myth number five contends there is too much credit in the market and this excess is dangerous. The argument continues that buying on credit, or margin, is inherently wrong.

This myth will die hard, but the facts have to be considered. To begin with, today's market rests largely on a cash foundation. In our recent study, margin transastions by public individuals accounted for only 22% of total volume. And if past experience is a guide, most of these transactions were for the purpose of making long-term investments. In dollars and cents, customers of New York Stock Exchange firms had borrowed $3.3 billion as of mid-October—against a total stock list worth about $250 billion. This represents only 1.3% of the total market value of listed stocks—a ratio that has shown relatively little change for several years.

Stock market credit, however, is such a complex subject that in recent years we have overlooked the fact that in the securities industry—as in most other industries—credit fills a vital role. We have also ignored the fact that as our economy grows, stock market credit can reasonably be expected to grow with it. Such credit, however, has not kept pace. And in the process of looking askance at market credit we have created an extraordinary economic paradox. We happily encourage people to borrow in order to buy—90% for a house, up to 75% for an automobile, 100% for a washing machine—but we virtually prohibit borrowing for the purpose of saving and investing in the companies that produce these products.

Market Mirrors Major Problems

So much, then, for the myths of the market. Clearing them away will help us illuminate and then come to grips with some of the immediate, short-term problems that are indicated by the market's activity.

The first of these is inflation. We have seen the cruel way it robs people of purchasing power. In self-defense, as it were, more and more funds have bid for available stock supplies, in the hope that such investments will help keep up with the cost of living. Conversely, falling bond prices, including those of government bonds, largely express a harsh popular judgment: that with the prospect of rising consumer prices and greater deficit spending, the dollars payable in a few years simply will not be as attractive as they once were. The fear of inflation, in other words, is very real on the part of many informed investors. Whether or not such fear is unreasonable, as some government experts and economists would have us believe, is beside the point. Such fear does exist and it will take more than words to alleviate it.

The second problem the market mirrors is that there is a shortage of stock presently available to meet investor needs. With the Exchange's stock list at about five billion shares this shortage may well seem to be one of the great contradictions about the market. In a literal sense, of course, shares of stock can almost always be obtained at a price. Someone wanting to buy 1,000 shares of a well-known security, for example, can certainly have his order filled if he is willing to pay more.

My point, however, is that there is a world of difference between the five billion shares that are listed — and the floating supply that is available. And the maket's action, which sometimes registers wide price movements on a moderate volume of transactions, makes it evident that the floating supply has indeed contracted.

You might wonder why. For one thing, there is the demand evidenced by individuals and institutions who have confidence in our ability to grow and who are also hedging against inflation. For another, our antiquated and totally unrealistic tax laws, particularly the capital gains levy, have caused investors to lock up billions of dollars worth of stock, rather than pay the whopping capital gains tax penalty leveled against successful investments.

A third immediate problem reflected in the market is that companies have been discouraged from issuing more stock to finance their growth. The fact is that each year billions of dollars of new money are needed for plants and equipment. A large proportion of this must be raised externally—via borrowing, or the issuance of new stock. And when it comes to new stock issues, corporations must turn increasingly to the great masses of people. For even after allowing for the money that our institutions can venture on common stocks, it is only the mass of middle-income Americans who can furnish the equity dollars we need in the amounts that are needed.

But the record shows that corporations, rather than follow the more conservative path of floating new stock issues, have tended to meet their external need for new money by relying on debt financing—a course that plunges them deeper into debt. The villain in this situation is the double tax on corporate dividends. This tax works in such a way that a company raising venture money finds it costs twice as much to return a dollar to shareowners, than would be required if the company went into debt—since interest on the debt is tax-deductible. The result is that this tax not only discourages the flow of new equities. It also serves to discourage a mass of individuals from investing—at a time when their investments should be encouraged.

The Investing Public Looks to Congress

What I have enumerated, in brief, are our present problems —the threat of inflation, a contracted supply of available stock, and an unworkable tax structure that discourages a desirable volume of equity financing and equity investments. These problems present, it seems to me, a major burden and a great responsibility for the incoming 86th Congress. And if the Congress has been following stock market activity with the same interest as their institutions, I believe it will recognize three messages that the stock ticker is trying to spell out.

The **first** is that fear of government-manufactured deficits and of rising unit costs forces people into making inflationary moves. Thus, Congress—and the Administration — must take a merciless look at the anticipated $80 billion Federal Budget and provide only for those expenses that are urgently required. Any other course will make the attempt to control inflation a hollow one, and will be reflected in the stock market as well as in the bond market which must absorb massive amounts of new government financing. Thus, one of the biggest tests we face in the inflation fight will come rushing at us shortly in the form of the new Federal Budget.

And the only answer to inflation is fiscal responsibility. Such responsibility, I might add, is by no means limited to Congress and the Administration. We must expect it equally in the private sectors of our economy, where the drive to keep consumer prices down runs up against mounting costs, including that of labor. It is clear, I think, that when higher wages serve to create higher prices, the only thing we really achieve is still more inflation, and the very real danger that we'll price ourselves out of the market. No matter which role we fill—and often we fill several—it seems to me that as employees or shareowners we ought to have the single-minded determination not to increase labor costs unless and until we can correspondingly increase output, and thus experience no increase in unit costs.

The ticker's **second** message is that great quantities of existing shares must be unlocked to meet the needs of a people willing to invest. One critical place to start is by revising the capital gains levy so that the holding period is cut from six months to three, and the penalty on successful investing slashed from a top of 25% to 12½%. Another step we ought to consider is allowing the individual taxpayer—at his option—to sell a stock in which he has a long-term capital gain without incurring an immediate tax, if he fully reinvests the proceeds in a single stock investment within 30 days. The long-run stimulus these measures will provide the economy—and the shares that such a move can bring to market—will far outweigh any short-term loss of income.

The ticker's **third** message is that despite temporary uncertainties, the country's economy is moving upward. If we are to encourage expansion and employment in a society as complex as ours, the capital of millions of people must be encouraged to form where it is needed, and to flow from places where it is not needed with a minimum of interference. This poses a double problem: persuading more corporations to plan a healthier growth by raising more equity money, and persuading more people to take the risks of investing. One of the Congress' most effective steps in this area would be to tear down the barrier represented by the double tax on dividends. A partial solution lies in freeing the first $100 of dividends from taxation rather than the present $50, and in raising the dividend tax credit from 4% to 10%—and eventually to 20%.

You might well wonder what the prospects are for achieving the changes and disciplines I've suggested. I won't venture a prophecy, but I am convinced, as one American writer was, that "if you want something, you should pray for it as if you had no hope on earth, and work for it, as if you expected no help from heaven."

I think we must subscribe to that. In summary I have wanted to stress these points:

First — the stock market has been much in the news, but it bears little relation to the old myths that surround it. It is a people's stock market, oriented largely towards long-term investments, and using only modest amounts of credit. It is drawing its strength from millions of middle-income Americans and from the financial institutions which represent them.

Second—the market is not setting the pace for the economy, but merely reflects what is occurring elsewhere. It is being influenced not only by those with confidence in the future, but by those who fear continued inflation as well. Its floating supply of stock is currently being diminished, at least in part, by the application of tax laws that "lock" investors into their holdings and discourage companies from issuing new equities in the quantities our growth requires.

Third — I believe that for the immediate future we must impress on government authorities, at all levels, our sense of shock at higher and higher spending, and our insistence on fiscal responsibility. And this must carry over into the private sectors of our economy as well, where we must recognize that more efficient production is the only sound means of raising wages.

Finally, I believe we must put together a basic package of tax reforms which encourages the kind of growth, expansion and mass investment we have a right to expect. And we must do this while recognizing — as a philosopher of old did—that delay is dangerous, and there will never be a perfect time for any undertaking.

Keenan & Clary Branches

MINNEAPOLIS, Minn. — Keenan & Clary, Inc., has opened a branch office at Silver Lake, Minn., under the management of Frank Bandas, and at Algona, Iowa under the direction of Paul M. Seeley.

Milwaukee Co. Branches

MILWAUKEE, Wis. — The Milwaukee Company has opened a branch office in Appleton, Wis., under the management of John Day; Janesville, Wis., under the management of Addison Haugan; in Racine under the direction of William F. Rayne; and in West Bend under the management of Burns B. Nelthorpe.

Payson Opens Branches

PORTLAND, Maine — H. M. Payson & Co., has opened a branch office at 72 Silver Street, Waterville, Maine under the direction of Adrian L. Asherman, and at 177 Main Street, Berlin, N. H. under the direction of Ralph W. Bradeen.

To Be Hutton Partners

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, on January 8th will admit Katharine Iglehart French and Jane Iglehart Purinton to limited partnership.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

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.

★ Alaska Juneau Gold Mining Co.
Dec. 29 filed 640,660 outstanding shares of common stock, of which 300,000 shares are to be offered currently and the remaining 340,660 shares in the future. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—6327 Santa Monica Boulevard, Los Angeles, Calif. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

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.

★ All-State Properties Inc.
Dec. 29 filed 685,734 shares of capital stock (par $1) to be offered for subscription by stockholders at the rate of 1½ new shares for each share held. **Price**—$2 per share. **Proceeds**—For additional working capital and new acquisitions, etc. **Office** — 30 Verbena Avenue, Floral Park, N. Y. **Underwriter**—None.

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 Founders Life Insurance Co.
Dec. 29 filed 188,689 shares of common stock to be issued upon payment of balances due on prior subscription agreements. **Office**—Denver, Colo.

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. **Offering**—Expected early in 1959.

★ Arcoa Inc.
Dec. 29 filed $5,000,000 of U-Haul Fleet Owner Contracts, to be offered to any person, group of persons or corporation having the legal ownership of a fleet of rental trailers each accompanied by a clamp-on bumper hitch. **Proceeds** — To increase the number of trailers available for rent in the company's U-Haul Trailer Rental System. **Office**—4707 S. E. Hawthorne Boulevard, Portland, Ore. **Underwriter**—None.

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 any day.

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.

★ Bargain City, U. S. A., Inc.
Dec. 29 filed 5,000,000 shares of class A common stock. **Price**—$3 per share. **Proceeds**—For expansion and acquisition or leasing of new sites. **Office**—2210 Walnut Street, Philadelphia, Pa. **Underwriter**—None.

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.

★ Blossman Hydratane Gas, Inc.
Dec. 29 filed $1,200,000 of 5% subordinated convertible debentures due Dec. 31, 1978 and 120,000 shares of common stock (par $1) to be offered in units of $500 of debentures and 50 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To retire short-term bank loans, and for working capital to be used for general corporate purposes. **Business**—Sale and distribution of liquified petroleum gas. **Office**—Covington, La. **Underwriter**—S. D. Fuller & Co., New York.

● Borman Food Stores, Inc., Detroit, Mich. (1/21)
Dec. 24 filed 404,900 shares of common stock (par $1), of which 304,900 shares would be sold for account of stockholders and 100,000 shares for 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.

★ Brooklyn Union Gas Co.
Dec. 29 (letter of notification) 6,000 shares of common capital stock (par $10) to be offered to employee's under an Employers' Stock Purchase Plan. **Price** — To be determined by market value on the New York Stock Exchange. **Proceeds**—Aggregate not to exceed $300,000 to be used for the plan. **Office**—176 Remsen St., Brooklyn 1, 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 comomn stock (par $1). **Price**—$7 per share. **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. Statement effective Dec. 30.

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.

★ Central Illinois Public Service Co. (1/27)
Dec. 31 filed $12,000,000 first mortgage bonds, series H, due Jan. 1, 1989. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Salomon Bros. & Hutzler. **Bids**—Expected to be received on Jan. 27.

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.

★ Charter Oak Life Insurance Co.
Dec. 15 (letter of notification) 46,031 shares of common stock (par $1). This offering represents the unsold balance of 150,000 shares of common stock which began Dec. 31, 1955. **Price**—$2 per share. **Proceeds**—For surplus account and working capital. **Office**—411 North Central Avenue, Phoenix, Ariz. **Underwriter**—None.

Chemical Fire & Casualty Insurance Co.
Nov. 24 filed 210,000 shares of class "A" voting common stock and 210,000 warrants to subscribe to a like number of shares of class "B" non-voting common stock. Purchasers of the class "A" shares will receive with each share purchased a warrant granting the right to purchase for $10 per share one shares of class "B" stock for a period of 18 months after the company receives permission to write insurance. **Price**—$10 per share. **Proceeds**—For working capital. **Office**—2807 Sterick Bldg., Memphis, Tenn. **Underwriter**—None.

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.

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 com-

mon 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.

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 Corp. of Delaware
Dec. 29 filed $918,000 of 6% convertible subordinated debentures due 1968. The company proposes to offer $210,000 of the debentures to purchase the capital stock of Consumers Time Credit, Inc., a New York company; $442,000 of the debentures in exchange for Consumers debentures; and $226,000 of the debentures in exchange for the outstanding 12% debentures of three subsidiaries of Federated. **Office**—1 South Main Street, Port Chester, N. Y. **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 Cheyenne Development Co., Inc.
Dec. 17 (letter of notification) 232,000 shares of preferred stock and 58,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—Pioneer Hotel, 211 West 17th Street, Cheyenne, Wyo. **Underwriter**—None.

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 Bos-

Continued on page 32

NEW ISSUE CALENDAR

January 5 (Monday)

Industro Transistor Corp. (S. D. Fuller & Co.) 150,000 shares	Common
Silicon Transistor Corp. (No underwriter) $600,000	Common
United Asbestos Corp. Ltd. (Allen & Co.) 1,000,000 shares	Common

January 6 (Tuesday)

Chicago & North Western Ry. (Bids noon CST) $3,300,000	Equip. Trust Ctfs.
Mechmetal-Tronics Inc. (Charles Plohn & Co.) $247,500	Common
Northwest Gas & Oil Exploration Co. (Greenfield & Co., Inc.) $300,000	Common
Vita Food Products, Inc. (Granberry, Marache & Co.) 12,000 shares	Common

January 7 (Wednesday)

General Telephone Co. of California (Paine, Webber, Jackson & Curtis and Mitchum, Jones & Templeton) $10,000,000	Preferred
Household Finance Corp. (Lee Higginson Corp.; White, Weld & Co.; and William Blair & Co.) $30,000,000	Debentures
Kaman Aircraft Corp. (Paine, Webber, Jackson & Curtis) $1,250,000	Debentures
Natural Gas Service Co. (Kidder, Peabody & Co., Inc.) $200,000 of debentures and 40,000 common shares	Debentures & Com.
Pennsylvania Power & Light Co. (Offering to stockholders—to be underwritten by The First Boston Corp. and Drexel & Co.) 295,841 shares	Common
Sire Plan of Elmsford, Inc. (Sire Plan Portfolios, Inc.) $500,000	Debens. & Pfd.
Washington Water Power Co. (Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co. and Laurence M. Marks & Co.) $15,000,000	Bonds

January 8 (Thursday)

C. I. T. Financial Corp. (Dillon, Read & Co., Inc.; Kuhn, Loeb & Co. and Lehman Brothers) $75,000,000	Debentures
San Diego Gas & Electric Co. (Bids 8:30 a.m. PST) $15,000,000	Debentures
Woodward & Lothrop Inc. (Alex. Brown & Sons) 50,000 shares	Common

January 12 (Monday)

Kaiser Industries Corp. (The First Boston Corp.; Dean Witter & Co.; and Carl M. Loeb, Rhoades & Co.) 500,000 shares	Common
Rochester Telephone Corp. (Offering to stockholders—underwritten by The First Boston Corp.) 195,312 shares	Common
Spur Oil Co. (Equitable Securities Corp.) 1,000,000 shares	Common
Tractor Supply Co. (Dempsey-Tegeler & Co.) 480,000 shares	Common

January 13 (Tuesday)

Commonwealth Edison Co. (Bids 10:30 a.m. CST) $20,000,000	Debentures
First National Bank & Trust Co., Tulsa, Okla. (Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Smith) $2,700,000	Common
Gulf States Utilities Co. (Bids 11 a.m. EST) $10,000 ,000	Preferred
Pacific National Bank of San Francisco (Offering to stockholders—underwritten by Blyth & Co., Inc and Elworthy & Co.) 74,511 shares	Common
Smith-Corona Marchant, Inc. (Offering to stockholders—underwritten by Lehman Brothers) $7,443,100	Debentures
Southern California Water Co. (Dean Witter & Co. and Smith Polian & Co.) $2,000,000	Debentures

January 14 (Wednesday

General Telephone Co. of Florida (Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp. and Mitchum, Jones & Templeton) $12,000,000	Preferred
Kansas Power & Light Co. (The First Boston Corp.) 275,000 shares	Common
Ontario (Province of), Canada (Harriman, Ripley & Co., Inc. and Wood, Gundy & Co., Inc.) $75,000,000	Debentures

January 15 (Thursday)

Carraco Oil Co. (Berry & Co.) $300,000	Common
Champion Paper & Fibre Co. (Offering to stockholders—underwritten by Goldman, Sachs & Co.) $20,036,400	Debentures
Heliogen Products, Inc. (Albion Securities Co.) $144,000	Common
Surrey Oil & Gas Corp. (Peter Morgan & Co.) $900,000	Common

January 19 (Monday)

Gulf States Utilities Co. (Bids noon EST) $10,000,000	Bonds
Seiberling Rubber Co. (Offering to stockholders—to be underwritten by Eastman Dillon, Union Securities & Co.) 106,841 shares	Common
Southern California Edison Co. (The First Boston Corp. and Dean Witter & Co.) 500,000 shares	Common

January 20 (Tuesday)

Government Employees Variable Annuity Life Insurance Co. (Offering to stockholders—underwritten by Johnston, Lemon & Co.; Eastman Dillon, Union Securities & Co. and Abacus Fund) $7,500,000	Common
Rockland-Atlas National Bank of Boston (Offering to stockholders—underwritten by The First Boston Corp.) 40,000 shares	Common
Rohr Aircraft Corp. (The First Boston Corp. and Lester, Ryons & Co.) 300,000 shares	Common
Southern Natural Gas Co. (Bids 11 a.m. EST) $35,000,000	Bonds

January 21 (Wednesday)

Borman Food Stores, Inc. (Shields & Co.) 404,900 shares	Common

January 22 (Thursday)

Mobile Gas Service Corp. (Offering to stockholders—underwriten by The First Boston Corp. and Robinson, Humphrey & Co.) 33,000 shares	Common

January 23 (Friday)

National State Bank (Offering to stockholders—underwritten by Clark, Dodge & Co.) $4,000,000	Common

January 27 (Tuesday)

Central Illinois Public Service Co. (Bids to be invited) $12,000,000	Bonds
Consolidated Edison Co. of New York, Inc. (Offering to stockholders—to be underwritten by Morgan Stanley & Co. and The First Boston Corp.) $59,778,000	Debs.

February 4 (Wednesday)

Southern Co. (Bids 11 a.m. EST) between $40,000,000 and $45,000,000	Common

February 17 (Tuesday)

Public Service Co. of Indiana, Inc. (Bids to be invited) $25,000,000	Bonds

February 25 (Wednesday)

Illinois Bell Telephone Co. (Bids to be invited) $50,000,000	Bonds

April 2 (Thursday)

Gulf Power Co. (Bids to be invited) $7,000,000	Bonds

April 30 (Thursday)

Alabama Power Co. (Bids to be invited) $20,000,000	Bonds

May 28 (Thursday)

Southern Electric Generating Co. (Bids to be invited) $25,000,000	Bonds

June 25 (Thursday)

Mississippi Power Co. (Bids to be invited) $5,000,000	Bonds

September 10 (Thursday)

Georgia Power Co. (Bids to be invited) $18,000,000	Bonds

Postponed Financing

Consumers Power Co. (Morgan Stanley & Co.) $15,000,000	Preferred
Michigan Bell Telephone Co. (Bids to be invited) $40,000,000	Debentures
Montana Power Co. (Bids to be invited) $20,000,000	Bonds
Moore-McCormack Lines, Inc. (Kuhn, Loeb & Co and Lehman Brothers) $24,000,000	Bonds
Pennsylvania Power Co. (Bids to be invited) $8,000,000	Bonds
Southwestern Bell Telephone Co. (Bids to be invited) $110,000,000	Debentures

Continued from page 31

ton 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 (1/14-15)
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.

★ Glenmont Investors Syndicate
Dec 15 (letter of notification) 100 units. **Price**—$2,000 per unit. **Proceeds**—For purchase of land and to erect a commercial building. **Office**—c/o Glenn Garvin, 3401 East-West Highway, Chevy Chase, Md. **Underwriter**—None.

Government Employees Variable Annuity Life Insurance Co. (1/20)
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company on or about Jan. 20, 1959 viz: (1) to holders of common stock (par $4) of Government Employees Insurance Co., on the basis of one warrant per share of stock held on Jan. 6, 1959 (1,334,570 shares are now outstanding); (2) to holders of common stock (par $1.50) of Government Employees Life Insurance Co., on the basis of 1½ warrants per share of stock held on Jan. 6, 1959 (216,429 shares are now outstanding); and (3) to holders of common stock (par $5) of Government Employees Corp., on the basis of ½ warrant per share of stock held on Jan. 6, 1959 (as of Sept. 30, 1958 there were 143,127 shares of stock outstanding and $614,360 of 5% convertible capital debentures due 1967, convertible into shares of common at $28.0374 per share. If all these debentures were converted into common stock prior to the record date, a total of 164,724 common shares would be outstanding. Warrants will expire on Feb. 10, 1959. **Price**—$3 per share. **Proceeds**—For capital and surplus. **Office** — Government Employees Insurance Building, Washington, D. C. **Underwriters** — Johnston, Lemon & Co., Washington, D. C.; Eastman Dillon, Union Securities & Co., New York; and Abacus Fund, Boston, Mass.

Grain Elevator Warehouse Co.
Nov. 3 filed 100,000 outstanding shares of common stock (par 10 cents). National Alfalfa Dehydrating & Milling Co., holder of the 100,000 common shares, proposes to offer to its stockholders preferential warrants to subscribe to 98,750 shares of Grain Elevator stock on the basis of one warrant to purchase one-eighth share of Grain Elevator stock for each share of National Alfalfa common held on Nov. 17, 1958; rights to expire Dec. 31. **Price**—$2 per share. **Proceeds**—To selling stockholder. **Office** — 927 Market Street, Wilmington, Del. **Underwriter**—None.

Grand Union Co.
Oct. 29 filed 187,534 shares of common stock (par $5) 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.

★ Great American Publications, Inc.
Dec. 15 (letter of notification) 130,000 shares of common stock (par 10 cents), of which 30,000 shares will be offered for 30 days to the company's employees, and to the company's news dealers, wholesalers and distributors and their employees at $1.65 per share; and 100,000 shares will be offered to general public at $2 per share. **Proceeds**—To satisfy creditors' claims and for general corporate purposes. **Office**—41 E. 42nd St., New York 17, N. Y. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York 5, N. Y.

● 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**—Statement effective Dec. 19.

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 Utiiities 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.]

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. (1/15)
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.

★ Highland Telephone Co.
Dec. 29 (letter of notification) 2,250 shares of common stock (no par) to be offered for subscription by common stockholders. **Price** — $45 per share. **Proceeds** — To repay bank loans and for construction of a new telephone plant. **Office**—145 North Main St., Monroe, N. Y. **Underwriter**—None.

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.

★ Hinsdale Raceway, Inc., Hinsdale, N. H.
Dec. 29 filed capital trust certificates evidencing 1,000,000 shares of capital stock, and 2,000 debenture notes. **Price**—The common stock at par ($1 per share) and the notes in units of $500 each. **Proceeds**—For construction of a track, including land, grandstand, mutual plant building, stables and paddock, dining hall, service building, administrative building, penthouse, tote board and clubhouse. **Underwriter**—None.

Hoagland & Dodge Drilling Co., Inc.
June 12 filed 27,000 shares of capital stock. Price—$10 per share. Proceeds—To be used in part for the exploration of mines and development and operation of mines and in payment of indebtedness. Office—Tucson, Ariz. Underwriter—None.

★ Homasote Co.
Dec. 22 (letter of notification) 15,500 shares of 5% cumulative convertible preferred stock, series B, 1957, to be offered to approximately 10 charitable institutions and to a small group of other prospective purchasers (some of the shares may be purchased by the Homasote Foundation). **Price**—At par ($10 per share). **Proceeds**—For construction purposes. **Office**—Lower Ferry Road, Trenton, N. J. **Underwriter**—None.

★ Homasote Co.
Dec. 22 (letter of notification 4,500 shares of 5% cumulative convertible preferred stock, series B, 1957 (par $10) and 1,500 shares of common stock (par $1) to be offered to employees in units, each unit consisting of one share of common stock and three shares of preferred stock. **Price**—$50 per unit. **Proceeds**—To obtain commitments by banks for unsecured term loans and for construction purposes. **Underwriter**—None.

Home Owners Life Insurance Co.
Dec. 19 filed 153,840 shares of common stock to be offered for subscription by stockholders (for a 15-day standby) 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.

★ Hussman Refrigerator Co.
Dec. 18 (letter of notification) an undetermined number of shares of common stock (par $5), not to exceed an aggregate of $50,000, to be offered to employees. **Price**—At the market. **Proceeds**—To buy stock on the New York Stock Exchange. **Office**—2401 North Leffingwell Avenue, St. Louis, 6, Mo. **Underwriter**—None.

I. C. P. 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.

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 Minerais 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.) (1/5-9)
Feb. 28 filed 150,000 shares of common stock (par 10 cents); reduced to 135,000 shares by amendment subsequently filed. **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.

★ International Bank, Washington, D. C.
Dec. 29 filed $5,000,000 of notes (series B, $500,000, two-year, 3% per unit; series C, $1,000,000, four-year 4% per unit; and series D, $3,500,000, 6-year, 5% per unit). **Price**—100% of principal amount. **Proceeds** — For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

Investment Corp. of Florida
Oct. 9 (letter of notification) 55,555 shares of common stock (par two cents). **Price**—$4.50 per share. **Proceeds**—For capital account and paid-in surplus. **Office**—Atlantic Federal Building, 1750 E. Sunrise Boulevard, Ft. Lauderdale, Fla. **Underwriter**—None.

Israel Investors Corp.
Dec. 1 filed 46,260 shares of common stock. **Price**—$100 per share. **Proceeds**—For investment. **Office**—19 Rector Street, New York, N. Y. **Underwriter**—None.

Itemco Inc.
Nov. 28 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire machinery and equipment and additional space for test laboratories; and for working capital. **Office**—4 Manhasset Ave., Port Washington, L. I., N. Y. **Underwriter** — B. Fennekohl & Co., 205 East 85th St., New York, N. Y.

Jackson's Minit Markets, Inc.
Dec. 19 filed 250,000 shares of common stock (par $1). **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.

★ Kimberly-Clark Corp.
Dec. 30 filed 225,000 shares of common stock to be offered in exchange for the common stock of the American Envelope Co. of West Carrollton, Ohio. The exchange is contingent on acceptance by all of the stockholders.

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.

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.

● **Mechmetal-Tronics Inc. (1/6)**
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.

★ **Mercantile Acceptance Corp. of California**
Dec. 17 (letter of notification) $50,000 of 12-year 5½% capital debentures. **Price**—At par. **Proceeds**—For working capital. **Office**—333 Montgomery Street, San Francisco, Calif. **Underwriter**—None.

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.

★ **Military Corp.**
Dec. 17 (letter of notification) 24,000 shares of common stock (par $4). **Price**—$12.50 per share. **Proceeds**—To purchase money mortgage on property; development of property and for working capital. **Office**—611 Forsyth Building, Atlanta, Ga. **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. **Offering**—Expected in January.

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.

★ **Mississippi Chemical Corp., Yazoo City, Miss.**
Dec. 24 filed 200,000 shares of common stock (par $5) and 8,000 shares of special common stock (par $75). **Price**—For common stock, $8.75 per share; for special common stock, $131.25 per share. **Proceeds**—For construction program, to purchase shares of Coastal Chemical Corp. (a subsidiary), and the balance will be added to surplus. **Underwriter**—None.

★ **Mobile Gas Service Corp. (1/22)**
Dec. 30 filed 33,000 shares of common stock to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held of record Jan. 21, 1959; rights to expire on Feb. 9, 1959. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank loans incurred for the extension and improvement of gas distribution system. **Underwriters**—The First Boston Corp., New York, and The Robinson-Humphrey Co., Inc., Atlanta, Ga.

★ **Modine Manufacturing Co.**
Dec. 19 (letter of notification) 7,050 shares of common stock (no par). **Price**—$13.18 per share. **Proceeds**—For general funds of the company. **Office** — 1500 DeKoven Avenue, Racine, Wis. **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.

★ **National Theatres, Inc., Los Angeles, Calif.**
Dec. 30 filed $20,000,000 5½% sinking fund subordinated debentures due March 1, 1974 and 485,550 common stock purchase warrants to purchase 454,545 shares of $1 par common stock to be offered in exchange for National Telefilm Associates, Inc. common stock at the rate of $11 of debentures and one warrant to purchase one-quarter of a share of National Theatres, Inc. stock for each NTA share. **Dealer-Managers**—Cruttenden, Podesta & Co., Cantor, Fitzgerald & Co., Inc. and Westheimer & Co.

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.
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**
Dec. 5 filed 145,200 additional shares of capital stock (par $12.50) being offered for subscription by stockholders of record Dec. 23, 1958, at the rate of one new share for each two shares then held; rights to expire on Jan. 19. **Price** — $36 per share. **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. **Offering**—Expected some time in January.

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.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions.

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.

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.

★ **Raritan Industries Corp.**
Dec. 29 (letter of notification) 37,500 shares of capital stock (par $1), of which 20,450 shares are to be offered to the public; the remaining 17,050 shares are to be used for payment of assets transferred to the company and services rendered. **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—20 First St., Keyport, N. J. **Underwriter**—None.

Rassco Financial Corp.
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Rassco Israel Corp., New York, on a "best efforts" basis.

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.

Continued on page 34

Continued from page 33

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. May be placed privately.

Rochester Telephone Corp. (1/12)
Dec. 18 filed 195,312 shares of common stock (par $10) to be offered for subscription by common stocknolders 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.

★ Rohr Aircraft Corp. (1/20)
Dec. 29 filed 300,000 shares of additional common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank loans and to increase working capital. **Underwriters**—The First Boston Corp., New York, and Lester, Ryons & Co., Los Angeles, Calif.

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. Paul Ammonia Products, Inc.
Dec. 29 filed 250,000 shares of common stock (par 2½ cents), to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—$2.50 per share. **Proceeds**—For additional working capital. **Office**—South St. Paul, Minn. **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 & 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. Lunt & Co., Buffalo, N. Y. Statement effective Dec. 30.

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. (1/13)
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 on or about Jan. 13; rights to expire on Jan. 27. **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 early 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.

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.

★ Standard Sign & Signal Co.
Dec. 17 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To promote and expand the development of the Safety School Shelter business. **Office**—c/o Brown Kendrick, 6130 Preston Haven Drive, Dallas, Texas. **Underwriter**—Sano & Co., New York, N. Y. **Offering**—Not expected until after Jan. 31, 1959.

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 princ'nal 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. (1/12-15)
Dec. 18 filed 480,000 outstanding shares of class A common stock (par $1). **Price**—To be supplied by amendment (expected at around $12 per share). **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.

★ Tube Investments Ltd. (England)
Dec. 29 filed 50,000 American depositary receipts for ordinary registered stock. **Depositary**—Guaranty Trust Co. of New York, 140 Broadway, New York, N. Y.

★ 22 East 42nd Street Corp.
Dec. 29 (letter of notification) 2,500 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—To pay off and amortize mortgages and to offer preferred stock in exchange for notes. **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 100,000shares of common stock (par $1). **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.

★ United States Plywood Corp.
Dec. 15 filed an undetermined amount of participations in the company's Employees Stock Purchase Plan, together with 28,000 common shares which may be purchased pursuant thereto.

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 Cit) Utah **Underwriter**—Walter Sondrup & Co., Salt Lak City, Utah.

Utah Oil Co. of New York, Inc.

May 6 (letter of notification) 300,000 shares of capit stock. **Price** — At par ($1 per share). **Proceeds** — Fo development of oil and gas lands. **Office**—574 Jefferso Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hun & Co., Inc., Rochester, N. Y.

● Vita Food Products, Inc. (1/6)

Dec. 16 (letter of notification) 12,000 shares of common stock (par 25 cents) issued as part of the consideration paid by the company for Mother's Food Products, Inc. **Price**—To be related to market price on the American Stock Exchange. **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.

★ Waite (Jack) Mining Co.

Dec. 17 (letter of notification) 700,000 shares of common stock (par 20 cents). **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—Room 1413, 170 Broadway, New York 38, N. Y. **Underwriter**—None.

Washington Water Power Co. (1/7)

Dec. 9 filed $15,000,000 of first mortgage bonds due 1989. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Kidder, Peabody & Co., Blyth & Co., Inc., White, Weld & Co. and Laurence M. Marks & Co., all of New York

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 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.

★ Westchester Country Club, Inc.

Dec. 19 (letter of notification) 400 certificates of interest, series A, to be sold to members of the Club. **Price**—$750 per certificate (plus Federal tax of $150). **Proceeds**—To aid the existence and policies of the Club. **Office**—Rye, N. Y. **Underwriter**—None.

Willer Color Television System, Inc.

April 2 (letter of notification) 72,035 shares of comm 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 (pai $25) to be offered to members of this club and o Concord Ltd. **Price**—$375 per common share and $1,000 per debenture. **Proceeds** — To develop property and build certain facilities. **Underwriter**—None.

Woodward & Lothrop Inc. (1/8)

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.

Prospective Offerings

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.

★ Central Bank & Trust Co., Great Neck, L. I., N. Y.

Dec. 31 it was announced that the stockholders will vote on Jan. 31 on approving a proposed subscription offering of 38,503 additional shares of capital stock. **Price**—$20 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Chicago & North Western Ry. (1/6)

Bids will be received by the company at 400 West Madison St., Chicago 6, Ill., up to noon (CST) on Jan. 6 for the purchase from it off $3,300,000 equipment trust certificates to mature in 15 equal annual instalments. 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.

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**—Expected in 1959.

★ Illinois Bell Telephone Co. (2/25)

Dec. 24 it was announced company plans to issue and sell $50,000,000 first mortgage bonds dated March 1, 1959 and due March 1, 1994. **Proceeds**—For improvements, etc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Morgan Stanley & Co.; Glore, Forgan & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on Feb. 25.

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 of 1958. The proposed sale was subsequently deferred until early 1959. **Proceeds** — About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.

Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp

Laboratory for Electronics, Inc.

July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

Master Fund, Inc., Fairfield, Calif.

Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

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.

Continued on page 36

Continued from page 35

● 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**—Has been abandoned.

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 Indiana Public Service Co.

Dec. 29 it was reported that the company plans sale of from $25,000,000 to $30,000,000 of first mortgage bonds due 1989. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Eastman Dillon, Union Securities & Co.; The First Boston Corp.; White, Weld & Co.; Dean Witter & Co.; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Harriman Ripley & Co., Inc. **Bids**—Expected to be received before April 1.

Northern States Power Co. (Minn.)

Dec. 3, Allen S. King, President, announced that the company plans about the middle of 1959 to put out a common stock issue and possibly a $15,000,000 preferred stock issue if there is a satisfactory market. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders (1) For preferred stock: Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Harriman Ripley & Co., Inc. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. (2) For common stock: Lehman Brothers and Riter & Co. (jointly); The First Boston Corp., Blyth & Co., Inc. and Kuhn, Loeb & Co. (jointly); White, Weld & Co. and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith.

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 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**—May be Lehman Brothers, Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Smith, all of New York. **Offering** — Expected early in 1959.

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 of $5,000,000 first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Our Reporter's Report

Action of the Treasury bond market during the closing of the year served to strengthen the belief that the Government will undertake to float a sizable long-term issue early this month.

The long end of the list turned definitely easy with the situation tending to exert a bit of pressure on the corporate bond market as well.

Belief is that within the next week or 10 days the Treasury will disclose its plans for raising new money it needs immediately ahead. The Government it is calculated, probably would have to set a 4% or 4⅛% coupon.

The investment world, it now appears, would like to see the Treasury take the bull by the horns and seek some long-term accomodation, the feeling being that what ever the cost, such a move would clear the atmosphere and let the general market adjust itself accordingly.

Looking over the prospective new issue calendar for the week ahead, it would seem that the track is being kept clear for the Treasury in the event that current guessing on its plans is well founded.

Only a couple of corporate undertakings of substantial dimensions are on the list through the ensuing week, it now develops.

Spread Widens

The reverse spread between yields on high-grade bonds and investment-type stocks has been widening again and probably is approaching the point where people with money would be disposed to turn sharply toward the debt issue market. Yields on Triple A corporates now range from 4.30% to around 4.65%, and for investment-type equities is far below the normal spread of one-half to three-quarters of a point.

Bond market observers are confident that, in spite of the driving force of inflation fears, any drift lower in fixed term issues and consequent rise in yields, must be reflected in renewed buying of the latter.

Reinvestment Demand

With dividend and interest payments holding up to record levels there is a disposition to anticipate a good January in the new issue market.

The scope of such reinvestment demand, it is observed should be up to more or less normal levels in the weeks ahead. In fact, it could help ease the Treasury's burden if long-term financing is undertaken and the coupon rate fixed affords an attractive yield.

Government financing over a long period has not been of the type to attract the individual investor. Rather it has been aimed chiefly at institutional outlets.

Next Week's Calendar

The corporate new issue market will be a trifle slow in getting under way next week. There is little or nothing on tap for either Monday or Tuesday.

But on Wednesday, General Telephone Co. of California will be raising $10 million through the sale of new preferred stock and Washington Water Power Co., will be offering $15 million of new bonds through bankers.

Pennsylvania Power & Light Co. is slated to launch a "rights" offering of 295,841 shares of common the same day.

Thursday is slated for offering of C.I.T. Financial Corp's $75 million of debentures and for flotation of an issue of $15 million of debentures by San Diego Gas & Electric Co.

Joins Clisby Staff

MACON, Ga.—Eugene H. Killen has been added to the staff of Clisby & Co., 2360 Ingleside Ave.

D. H. Read Named by Small Business Adm.

Duncan Hicks Read, President of the Middleburg (Virginia) National Bank and a former partner in Dillon, Read & Co., New York Investment banking firm, has been named Deputy Administrator of the Federal Small Business Administration, Investment Division.

Mr. Read is also a Director of the Fiduciary Trust Company of New York. His father, William A. Read, was the founder of the New York investment firm of William A. Read & Company, the predecessor of Dillon, Read & Co.

To Be Barclay & Crawford

TORONTO, Canada—The firm name of Biggar & Crawford, members of the Toronto Stock Exchange, will be changed to Barclay & Crawford effective Jan. 19. The firm's main office will be located thereafter at 38 King Street, West.

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)	Jan. 4	§75.8	*63.2	73.5	58.6
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 4	§2,045,000	*1,840,000	1,985,000	1,501,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 19	7,097,335	7,096,654	6,974,835	6,915,060
Crude runs to stills—daily average (bbls.)	Dec. 19	¶7,822,000	7,788,000	7,880,000	7,712,000
Gasoline output (bbls.)	Dec. 19	28,356,000	28,240,000	27,861,000	27,264,000
Kerosene output (bbls.)	Dec. 19	2,455,000	2,698,000	2,474,000	2,436,000
Distillate fuel oil output (bbls.)	Dec. 19	13,872,000	13,651,000	12,695,000	13,106,000
Residual fuel oil output (bbls.)	Dec. 19	7,553,000	7,011,000	6,366,000	7,581,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 19	178,599,000	174,706,000	169,576,000	189,486,000
Kerosene (bbls.) at	Dec. 19	27,936,000	29,647,000	32,155,000	27,719,000
Distillate fuel oil (bbls.) at	Dec. 19	138,182,000	148,087,000	162,415,000	152,383,000
Residual fuel oil (bbls.) at	Dec. 19	60,668,000	62,816,000	66,619,000	57,674,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 20	570,927	588,847	619,350	590,314
Revenue freight received from connections (no. of cars)	Dec. 20	546,505	532,274	550,374	552,542
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 25	$307,597,000	$291,813,000	$273,014,000	$273,767,000
Private construction	Dec. 25	121,925,000	109,497,000	113,064,000	122,226,000
Public construction	Dec. 25	185,672,000	182,316,000	159,950,000	151,541,000
State and municipal	Dec. 25	163,757,000	125,759,000	143,894,000	135,124,000
Federal	Dec. 25	21,915,000	56,557,000	16,056,000	16,417,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 20	(a)	8,960,000	8,925,000	9,380,000
Pennsylvania anthracite (tons)	Dec. 20	553,000	507,000	384,000	467,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 20	304	293	169	294
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 27	12,379,000	13,554,000	12,274,000	11,218,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 25	185	251	244	166
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 22	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Dec. 22	$66.41	$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Dec. 22	$39.83	$39.83	$40.50	$32.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 24	28.600c	28.600c	28.550c	26.600c
Export refinery at	Dec. 24	27.025c	26,575c	28.375c	21.950c
Lead (New York) at	Dec. 24	13.000c	13.000c	13.000c	13.000c
Lead (St. Louis) at	Dec. 24	12.800c	12.800c	12.800c	12.800c
‡Zinc (delivered) at	Dec. 24	12.000c	12.000c	12.000c	10.500c
Zinc (East St. Louis) at	Dec. 24	11.500c	11.500c	11.500c	10,000c
Aluminum (primary pig. 99%) at	Dec. 24	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Dec. 24	99.000c	98.875c	99.125c	93.625c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 30	85.53	86.34	88.79	93.13
Average corporate	Dec. 30	90.20	90.34	90.48	93.38
Aaa	Dec. 30	94.56	94.71	95.01	100.98
Aa	Dec. 30	93.23	93.38	93.38	97.16
A	Dec. 30	89.78	89.78	90.06	93.97
Baa	Dec. 30	84.04	84.04	84.17	82.65
Railroad Group	Dec. 30	86.27	88.40	88.13	90.48
Public Utilities Group	Dec. 30	90.20	90.20	90.63	93.52
Industrials Group	Dec. 30	92.35	92.35	92.79	96.07
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 30	3.88	3.79	3.53	3.09
Average corporate	Dec. 30	4.40	4.39	4.38	4.18
Aaa	Dec. 30	4.10	4.09	4.07	3.69
Aa	Dec. 30	4.19	4.18	4.18	3.93
A	Dec. 30	4.43	4.43	4.41	4.14
Baa	Dec. 30	4.86	4.86	4.85	4.97
Railroad Group	Dec. 30	4.54	4.53	4.55	4.38
Public Utilities Group	Dec. 30	4.40	4.40	4.37	4.17
Industrials Group	Dec. 30	4.25	4.25	4.22	4.00
MOODY'S COMMODITY INDEX	Dec. 30	389.4	392.2	395.5	391.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 20	255,176	275,370	272,186	206,345
Production (tons)	Dec. 20	295,919	309,537	306,086	290,705
Percentage of activity	Dec. 20	91	94	94	93
Unfilled orders (tons) at end of period	Dec. 20	364,444	403,401	398,251	276,494
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 26	109.15	110.73	109.65	108.26
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 6	2,657,090	2,628,030	2,265,180	1,497,380
Short sales	Dec. 6	410,010	494,280	481,800	304,800
Other sales	Dec. 6	2,037,880	2,130,730	1,825,760	1,147,680
Total sales	Dec. 6	2,447,890	2,625,010	2,307,560	1,452,480
Other transactions initiated on the floor—					
Total purchases	Dec. 6	581,310	572,060	523,440	397,110
Short sales	Dec. 6	36,900	45,400	55,300	44,900
Other sales	Dec. 6	548,440	539,970	467,500	403,520
Total sales	Dec. 6	585,340	585,370	522,800	448,420
Other transactions initiated off the floor—					
Total purchases	Dec. 6	900,570	785,110	678,500	505,535
Short sales	Dec. 6	125,840	134,410	117,330	130,300
Other sales	Dec. 6	858,765	806,721	859,291	527,102
Total sales	Dec. 6	984,605	941,131	976,621	657,402
Total round-lot transactions for account of members—					
Total purchases	Dec. 6	4,138,970	3,985,200	3,467,120	2,400,025
Short sales	Dec. 6	572,750	674,090	654,430	480,000
Other sales	Dec. 6	3,445,085	3,477,421	3,152,551	2,078,302
Total sales	Dec. 6	4,017,835	4,151,511	3,806,981	2,558,302
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	Dec. 6	1,538,793	1,517,823	1,470,488	1,225,767
Dollar value	Dec. 6	$73,836,477	$72,439,196	$69,346,567	$50,692,078
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 6	1,550,232	1,526,476	1,439,737	1,084,277
Customers' short sales	Dec. 6	8,853	11,152	8,098	11,791
Customers' other sales	Dec. 6	1,541,379	1,515,324	1,481,689	1,072,486
Dollar value	Dec. 6	$71,225,175	$71,988,519	$69,670,667	$43,552,805
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 6	468,220	508,010	473,060	320,570
Short sales	Dec. 6	------	------	------	------
Other sales	Dec. 6	468,220	508,010	473,060	320,570
Round-lot purchases by dealers—					
Number of shares	Dec. 6	542,120	464,340	433,780	452,460
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	Dec. 6	735,120	873,990	808,540	663,830
Other sales	Dec. 6	17,848,630	17,090,470	15,895,300	11,668,470
Total sales	Dec. 6	18,583,760	17,964,460	16,703,840	12,332,300
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 23	(a)	119.1	119.1	118.4
Farm products	Dec. 23	(a)	90.7	91.8	93.9
Processed foods	Dec. 23	(a)	108.8	108.6	107.5
Meats	Dec. 23	(a)	102.0	102.2	96.8
All commodities other than farm and foods	Dec. 23	(a)	127.1	126.9	125.8

*Revised figure. ¶Includes 939,000 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. (a) Not available.

	Latest Month	Previous Month	Year Ago
COAL EXPORTS (BUREAU OF MINES)—			
Month of September:			
U. S. exports of Pennsylvania anthracite (net tons)	235,256	164,117	476,577
To North and Central America (net tons)	191,304	123,604	245,559
To Europe (net tons)	35,123	37,441	231,018
To Asia (net tons)	8,829	2,128	------
To South America (net tons)	------	24	------
Undesignated	------	920	------
CONSUMER PRICE INDEX — 1947-49=100—			
Month of October:			
All items	123.7	123.7	121.1
Food	119.7	120.3	117.0
Food at home	118.0	118.7	115.5
Cereals and bakery products	133.9	133.5	131.2
Meats, poultry and fish	114.6	115.8	110.3
Dairy products	114.3	114.1	113.1
Fruits and vegetables	121.0	120.7	114.8
Other foods at home	113.2	115.2	115.0
Food away from home (Jan., 1953=100)	113.3	113.4	----
Housing	127.9	127.9	126.3
Rent	138.3	138.2	135.7
Gas and electricity	118.1	118.0	113.7
Solid fuels and fuel oil	135.6	135.2	136.8
Housefurnishings	103.4	103.6	104.8
Household operation	132.4	132.2	128.3
Apparel	107.3	107.1	107.3
Men's and boys'	107.9	108.3	109.3
Women's and girls'	100.2	99.6	99.8
Footwear	130.1	130.1	128.1
Other apparel	91.8	92.0	92.3
Transportation	142.7	141.3	135.9
Public	190.4	189.8	181.1
Private	131.8	130.4	125.5
Medical care	146.7	146.1	139.0
Personal care	128.8	128.7	125.1
Reading and recreation	116.6	116.6	113.3
Other goods and services	127.2	127.1	126.7
COPPER INSTITUTE—For month of November:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	110,463	*112,079	98,357
Refined (tons of 2,000 pounds)	128,048	113,288	129,051
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	131,288	*120,793	107,542
Refined copper stocks at end of period (tons of 2,000 pounds)	93,596	128,490	161,552
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of October:			
Cotton Seed—			
Received at mills (tons)	1,643,020	482,208	1,139,754
Crushed (tons)	712,407	306,751	645,936
Stocks (tons) Oct. 31	1,437,455	506,842	912,009
Crude Oil—			
Stocks (pounds) Oct. 31	122,625,000	49,061,000	108,132,000
Produced (pounds)	239,110,000	96,315,000	223,092,000
Shipped (pounds)	155,344,000	76,745,000	142,251,000
Refined Oil—			
Stocks (pounds) Oct.31	103,322,000	72,268,000	94,699,000
Produced (pounds)	143,997,000	70,434,000	130,973,000
Consumption (pounds)	120,921,000	96,931,000	116,520,000
Cake and Meal—			
Stocks (tons) Oct. 31	116,105	71,215	249,383
Produced (tons)	329,102	135,067	299,826
Shipped (tons)	284,212	142,293	259,656
Hulls—			
Stocks (tons) Oct. 31	121,677	90,426	77,319
Produced (tons)	160,223	66,441	136,097
Shipped (tons)	128,972	62,962	108,863
Linters (running bales)—			
Stocks Oct. 31	282,049	219,140	252,096
Produced	208,081	94,348	199,332
Shipped	145,172	105,756	143,620
Hull Fiber (1,000-lb. bales)—			
Stocks Oct. 31	615	247	1,039
Produced	800	673	1,392
Shipped	432	(a)	1,344
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Oct. 31	3,749	2,980	1,846
Produced	1,823	792	1,461
Shipped	1,054	1,091	614
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of October in billions:			
Total personal income	$357.5	*$357.8	$350.6
Wage and salary receipts, total	238.6	*239.4	238.6
Commodity producing industries	97.5	*98.4	101.5
Distributing industries	63.7	*63.6	64.2
Service industries	33.9	33.9	32.9
Government	43.6	43.5	40.7
Other labor income	9.2	9.2	9.1
Proprietors and rental income	57.4	*57.0	55.1
Personal interest income and dividends	32.0	31.9	31.8
Total transfer payments	26.9	*27.0	22.6
Less employees' contribution for special insurance	6.7	6.8	6.6
Total nonagricultural income	340.5	*340.9	335.7
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of Oct. 15:			
All farm products	252	258	241
Crops	227	232	225
Commercial vegetables, fresh	210	183	226
Cotton	281	292	273
Feed, grains and hay	153	160	156
Food grains	199	195	219
Fruit	245	280	188
Oil-bearing crops	214	220	231
Potatoes	118	129	153
Tobacco	501	482	483
Livestock	275	280	255
Dairy products	271	264	278
Meat animals	330	339	275
Poultry and eggs	164	174	181
Wool	202	207	280
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of October:			
Passenger Tires (Number of)—			
Shipments	6,972,137	6,658,564	6,778,256
Production	7,982,594	7,133,984	8,437,134
Inventory	17,134,475	16,044,954	17,998,005
Truck and Bus Tires (Number of)—			
Shipments	1,481,780	1,253,307	1,375.389
Production	1,361,468	1,143,404	1,271,218
Inventory	2,778,714	2,880,251	2,986,799
Tractor-Implement Tires (Number of)—			
Shipments	317,992	273,417	251,476
Production	347,888	280,153	314,222
Inventory	713,997	675,748	697,821
Passenger Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,566,665	3,498,264	3,171,641
Production	3,767,846	3,390,465	3,763,761
Inventory	7,869,030	7,656,758	6,908,690
Tread Rubber (Camelback)—			
Shipments (pounds)	53,234,000	*43,081,000	50,124,000
Production (pounds)	49,948,000	*43,724,000	47,369,000
Inventory (pounds)	29,226,000	*32,813,000	24,877,000

(a) Not shown to avoid disclosure of figures for individual companies.

Continued from first page

Housing and Mortgage Prospects in Coming Year

it was necessary to take it up under suspension of the Rules, which requires a two-thirds majority. Everyone was amazed at how near we got to the two-thirds majority; the vote was 251 to 134, just 6 votes shy of passage. Even our opponents conceded they had one of the big scares of their lives.

Predicts Home Loan Guaranty Passage

Now since that time there has been an accounting at the polls and I am certain that the greatly swelled ranks of Democratic Congressmen would assure the success of the Home Loan Guaranty Plan if the Congress takes it up next session.

But the composition of Congress is not the only thing which has changed in the interim. You now have permissive authority under Federal Home Loan Bank Board regulations to make 90% loans under certain conditions. I think this is a forward and commendable step on the part of the Board and I think we in Congress can share in the credit. I suspect that at least part of the motivation for the new regulation was the Administration's desire to try and forestall legislation which would set up the Home Loan Guaranty Plan — a plan which was viewed in Administration circles as the work of the devil.

Now that the 90% loan is permissive for Federally-chartered associations — in other words now that you have won at least a partial victory at the administrative level — it is understandable that you will want to take another look at your Home Loan Guaranty Plan. You will undoubtedly want to see how your lending programs function under the new regulations before you reach a decision as to whether further legislation is needed.

In any case I shall continue to support efforts to write the Home Loan Guaranty Plan into law. The thought occurs that if you do renew your efforts to enact the Plan, the picture will be somewhat altered. By that I mean that the basic question of the 90% loan as a principle has already been resolved by the Federal Home Loan Bank Board's action in permitting such loans administratively. In other words, the only question now will be whether it is necessary or advisable for your industry to try for legislation which would provide some means of pooling the risk involved in such loans.

Speaking of legislation we can be sure of one thing — the next session of Congress will be a lively one. Frankly, as far as housing legislation is concerned, the legislative cauldron is in a state of ferment. Ideas and programs are being restudied and reevaluated, and, it would be premature for me to try to outline the specifics of the legislation which the Congress will adoot. What we will probably see, however, is a two-stage approach — first, some sort of an emergency resolution to increase the FHA insurance authorization, and second, prompt attention to the general housing bill.

I would like to state for the record that the Administration was less than candid with the Congress on the adequacy of FHA's insurance authorization. In the last session when we voted $4 billion additional authorization, everyone took it for granted that that amount would be more than ample to continue FHA's insurance program without let up into the next session. We now know that that was not the case and the FHA was forced to institute rationing procedures in October. Had the Administration warned us that FHA's authorization was less than adequate, the Congress would certainly have provided the necessary increase.

Predicts New Housing Bill

While some form of interim resolution will undoubtedly take immediate precedence, the general housing bill will still receive high priority from the Congress. The defeat of the general housing bill by the Administration in the closing days of the last session was a serious blow, and the new Congress, I am certain, will push vigorously for a comprehensive and effective bill.

I think we must recognize that the scope and content of next year's legislation, not only in housing but in practically all legislation dealing with domestic programs, will be influenced in large measure by the state of our economy during the Winter and by the economic outlook for next Spring.

The doctrine accepted by the Administration and apparently by most of the financial observers is that the recession reached bottom in April, that recovery is clearly under way, and that we need have no further fears of economic contraction. I fervently hope that this optimistic view is a correct one.

It is indisputable that our economy has shown heartening signs of recovery from the April low point. Industrial production has risen substantially, key industries like the steel industry have climbed out of the doldrums, and the ranks of the unemployed have been reduced substantially. The gap between current production levels and those a year ago has been narrowing.

But unfortunately comparisons with a year ago are not satisfactory because at this time a year ago we were headed into serious economic trouble. I might point out that last Fall I was one of the first to warn of the coming recession, a warning which fell upon deaf ears in the Executive Branch.

Disquieting Economic Clouds

I hope that this year we can avoid repeating the same pattern but we cannot blink the facts and then there are some disquieting clouds on the economic horizon. Economic forecasting is a hazardous enough proposition at any time. In the immediate present for some reason, the picture seems specially murky.

For one thing the steam of the investment boom of the 1955-56 period is still lacking. Business expenditures for plant and equipment are still far below the peak level, and there is no assurance of any substantial upturn. For example, a recent survey by the Federal Reserve Board of Philadelphia indicates that manufacturers in that metropolitan area plan to spend approximately 14% less on new plant and equipment in 1959 than in 1958. Projections of plant and equipment investment on a national basis happily are not so pessimistic, but nonetheless they do not promise a substantial increase.

Unemployment continues to remain at an uncomfortably high level. Despite the economic recovery since April, we still have close to 4 million unemployed Americans. This means, taking the usual seasonal pattern into account, that at a rock bottom minimum we will have 4½ million unemployed in January, and the figure will probably be much closer to 5 million.

I think we should realize also that the seasonally adjusted unemployment rate in October was still 7.1% of the civilian labor force. This is not far below the peak unemployment rates of 7.5% and 7.6% respectively in April and August, and is far above a year ago.

In my judgment, we cannot afford to be complacent about an economy hampered with an unemployment total of that magnitude. I am certain that the representatives in the Congress will not turn their backs on the economic hardships of such a great group in our economy, and we can confidently expect Congressional leadership in forging whatever legislative programs are necessary to put us back on the road to full employment.

Perhaps the key to the direction our economy will take next Spring is the fate of the automobile industry. Auto production is now in high gear — optimistic predictions in the industry are heard everywhere. Whether the consuming public will step up new car purchases is perhaps the number one enigma in the economic outlook.

Sees Housing Slump Next Spring

Unfortunately, the outlook for another basic industry is perhaps more definite. I am fearful that the housing industry may be in for serious trouble next Spring. I realize that this notion may seem at first blush to be out of step with most recent housing production statistics which show, for example, that in October—the latest month for which statistics are available—the seasonally adjusted annual rate of housing starts rose to 1,260,000, the highest rate for any month in three years.

But I am sure we all know that there is a considerable lag between the planning of housing projects, the setting up of financial arrangements, and the actual breaking of ground. I am sure that a substantial portion of the housing units started this Fall resulted from financing commitments obtained last Spring. And last Spring was a time when mortgage money and forward mortgage commitments were relatively easy to obtain. In addition the Congress — quite wisely I am convinced — provided an additional stimulas in the Emergency Housing Act effective April 1, which set up a $1 billion commitment fund for the par purchase of FHA and GI loans financing moderately priced homes.

But what of the situation which lies immediately ahead? In the first place the helping hand of the Federal National Mortgage Association special assistance fund is no longer in the picture. The $1 billion fund was fully committed in September and the Administration refuses, despite our urging, to release some $400 million of additional funds still available for use at the President's discretion.

Also, we have seen a dramatic reversal in the demand and supply relationship in the mortgage capital market. Interest rates have tightened along the line, and as usual government-assisted mortgages are the first to suffer. Discounts are widening — to scandalous proportions on GI loans I might add—and forward commitments at a reasonable price are becoming harder and harder to obtain.

I think it especially significant in this connection that October saw a marked fall-off in FHA applications for new construction. There was also a very sharp decline in VA appraisal requests for proposed construction.

It does not take any particular acumen to see where all of this is leading. In my judgment, housing production will turn down considerably more than seasonally in January and February, and we may well face the danger of a serious slump in housing production next spring.

I know that your great industry will continue to channel a swelling fund of mortgage capital into housing construction. I understand that your net inflow of new savings has been rising encouragingly and I know that you will continue to employ these increased funds to help the production of needed housing. Also, I am hopeful that the newly-won ability of your industry to make conventional loans on a more liberal basis will help to sustain effective demand in the housing market.

Advocates Supplementing Conventional Mortgages

But in order to maintain — let alone increase — our current rate of housing production, we must face the inevitable fact that in addition to a free flow of conventional mortgage money, we must have an ample supply of investment capital seeking outlet in FHA and GI loans. These latter programs, with their very low downpayments and their liberal loan maturities, permit hundreds of thousands of families to enter the housing market who otherwise would not be able to.

In short we must do everything possible to encourage a reasonable flow of mortgage financing of all types, conventional, FHA-insured, and VA-guaranteed.

Opposes Flexible FHA-VA Interest Rates

I realize that many argue that the simple solution to FHA and GI programs is to permit "flexible" interest rates. Just give us "flexibility," we are told, and all of our housing problems will be cured in a jiffy. I have given a great deal of thought to this "flexibility" question and if you will bear with me, I'd like to give you some of the reasons why we will never have — nor should we have — complete "flexibility" in the interest rates on FHA-insured and VA-guaranteed loans.

In the first place I think we should correct for the record an apparent oversight on the part of those who make a case for complete "flexibility." The fact is that there is a measure of flexibility under the FHA program since the law permits the FHA Commissioner, taking market conditions into account, to set the rate at any level up to 6% per annum. So clearly we already have a considerable degree of "flexibility" under the FHA program. As a matter of fact, I have grave reservations about the FHA's present statutory authority to go as high as 6%. I am mindful of the fact that the home buyer must pay an additional ½ of 1% for his insurance premium, and this means that as a practical matter the FHA could raise its rate to the point where the home buyer would have to pay a rate as high as 6½% — a rate I would regard as absolutely unconscionable for a government-insured mortgage.

I would gather that the proponents of the "flexibility" policy really have the GI loan in mind. The present maximum as we all know for the GI loan is 4¾%, and we know that historically the Congress has been reluctant to permit increases in this rate. I would point out, however, that the present maximum of 4¾% is substantially higher than the 4% rate which veterans were able to obtain when the program first began in 1944 up until the Spring of 1953 when the rate was first increased to 4½%.

This sharp increase in interest costs have proved most costly to home buying veterans. Thus, for example, over the life of a 25-year loan a 4¾% interest rate costs the average veteran as much as $1,900 more than a 4% rate. Translated in physical terms, the upward spiral of interest rates over the past 5 years has deprived the average home buying veteran of at least an additional bedroom which he could afford at the lower interest rate.

Now when we hear these arguments that government interest rates should be "flexible," I suspect that what is really meant is that the interest rates on government-assisted mortgages should continually be raised. Apparently we are seeing an old word acquire a new meaning. I was taught that the word "flexible" means opposite of rigidity, in other words a responsiveness to adjust to changing conditions. This would mean that a flexible rate would rise and fall with changing market conditions. But apparently the verb to "flex" means to "raise" in the minds of the money managers in Washington, except ironically in the case of farm prices where "flexible" means lower prices.

As a practical matter I do not believe that the Congress will ever permit complete flexibility in the interest rate of GI and FHA loans. The Congress would never in conscience permit lenders to charge what the traffic would bear in a program which is made possible only by public support. At the very most the Congress may be per uaded to permit the maximum rate to adjust from time to time when market conditions clearly dictate the need for change, but any greater degree of "flexibility" will never be granted in my judgment.

Opposes Higher Interest Rate Level

Interest rates have already risen to dangerously high levels. If we permit the interest rate spiral to climb to even higher levels, I think we would be brooking economic disaster.

We must recognize that during tight money period, FHA and GI loans are the first to suffer. I believe it therefore incumbent upon us to provide for government support through the Federal National Mortgage Association when market conditions require it. It seems to me that we will face such a situation when Congress convenes in January, and I plan to advocate an increase in FNMA special assistance support fund for lower cost FHA and GI loans.

A healthy housing industry is an absolute essential to meet the housing needs of our people and also to provide a strong underpinning to our overall economy.

I recognize that proposals to extend and expand the support function of the Federal National Mortgage Association's special assistance program will be strongly attacked, and one of the basic criticisms will be that we cannot afford to authorize additional Federal expenditures at a time when we face a sizable Federal budget deficit.

First, let me say that no one has a monopoly on the desire to see the Federal budget balanced. All of us are against sin and we would all like to see the budget balanced as soon as feasible.

But I would like to leave this thought. In my judgment the plain truth of the matter is that we cannot balance the budget until we have once again achieved a full employment economy. Certainly a major share of the huge $12 billion deficit facing us this fiscal year must be laid squarely at the door of the present economic recession. The simple truth is that tax revenues have fallen and if we view this problem realistically, I think we must recognize that a budget balance can be achieved only when production and the income it generates increases sufficiently to provide the necessary tax revenues. Certainly we must be careful in the expenditures we authorize, but by the same token the fixed obligations of the budget are huge and we must, of course, provide whatever our country needs for its security.

The basic task for an expanded economy lies with our great private enterprise system and I am confident that the savings industry will do its share and more in achieving the healthy and thriving home building and home financing industry upon which our prosperity depends.

Mutual Funds

By ROBERT R. RICH

Balanced Mutual Fund Reports New Records

Diversified Investment Fund, Inc., a balanced mutual fund investing in bonds and preferred stocks as well as common stocks, reports an increase in net asset value from $7.48 to $8.90 per share during the fiscal year ended Nov. 30. This is a gain of 22.2%.

According to the fund's annual report, year-end figures of $89,251,292 for total net assets and 27,482 in number of shareholders are new record highs. The report makes clear that the substantial increase in total net assets is the result of (1) purchases of additional shares of the fund by existing and new shareholders; (2) higher market value for the fund's investments; and (3) acquisition during the year of the $16.6 million of assets of Manhattan Bond Fund, Inc. Total net assets of Diversified Investment Fund, Inc., on Nov. 30 a year ago were $58,185,498, at which time the fund listed 19,083 shareholder accounts.

The report, signed by Chairman Wm. Gage Brady, Jr., and President Hugh W. Long, makes the point that "There is still some concern over the possibility of further inflation arising from the prospect of additional wage advances in industry and governmental deficits aggravated by the international military situation. Restrictive Federal Reserve policies and any other restraints deemed desirable by government authorities to influence the availability and cost of credit could retard further expansion of business activity, particularly in the housing field. Any prolonged or extensive labor unrest would also be detrimental to the economy.

"Viewing the economic scene as a whole, your management does not see any basic weaknesses in the business picture at this time and believes that the underlying forces responsible for the growth of the economy will continue to operate over the longer term."

At the 1958 year-end, 63.5% of the fund's total net assets were invested in common stocks, 27.1% in bonds and cash and 9.4% in preferred stocks.

In the six months since the fund's semi-annual report, 35 new issues were added to the bond section of the portfolio, most of them through acquisition of the assets of Manhattan Bond Fund, Inc. The following bond holdings were eliminated during the period: Canada Southern Ry. Co. 50-year consolidated guaranteed, series "A," 5s, 1962; N. Y. & Harlem R. R. Co. series "B," 4s, 2043; The New York Central R. R. Co. collateral trust 6s, 1980; and Sinclair Oil Corp., convertible 4⅜s, 1986.

New additions to the preferred stock section were: Arizona Public Service Co., $2.40 cumulative convertible preferred; Boston Edison Co., 4.78% cumulative preferred; El Paso Natural Gas Co., $4.875 convertible, 2nd preferred; and Gulf, Mobile & Ohio R. R. Co. $5 preferred was eliminated from the preferred stock list.

New common stocks added during the six months ended Nov. 30 were: United Aircraft; Allied Chemical; Ohio Oil; Standard Oil Co. of California; Union Bag-Camp Paper; Central Louisiana Electric; General Public Utilities; Pacific Gas & Electric; and Dresser Industries.

Common stocks eliminated were Combustion Engineering; Louisville & Nashville RR.; McKesson & Robbins; Seaboard Air Line RR.; and Simmons Co.

Nelson Fund, Inc. Shares Priced at $3,000 Plus Figure

Nelson Fund, Inc., an open-end, non-diversified management investment company seeking capital appreciation, announced the offering of 600 shares of stock at net asset value, which, as of Dec. 24, amounted to $3,002.45 per share.

The main objective of the Fund is to invest in special situations, growth companies and European securities. Management believes that the fund is the largest of any American mutual funds which have more than 20% of their assets invested in foreign securities other than Canadian.

The assets of the fund per share in the period from Dec. 31, 1956 to Sept. 30, 1958 increased 11.2%.

As a result of its investment objectives and policies, and because of its unusually high net asset value per share, the fund will not meet the investment objectives of the average small investor. Rather, management believes that the fund will be a more appropriate investment for substantial investors having otherwise balanced portfolios.

The fund was formed on Nov. 2, 1955, through the sale of 400 shares of capital stock at $2,500 per share, with a total of $250,000. As of Dec. 24, 1958, total assets exceeded $1,250,000.

There is no sales load or underwriting commission payable to anyone; the fund receives the entire public offering price. No commitment exists to any firm for the handling of the fund's brokerage business.

George J. Nelson is President and Treasurer of the fund; John R. Boker, Jr. is Vice-President. The list of directors of the fund include Schroeder Boulton, partner of Baker, Weeks & Co. and Armand G. Erpf, partner of Carl M. Loeb, Rhodes & Co. and President of the New York Capital Fund of Canada.

H. von Foerster, Professor of Electrical Engineering, University of Illinois, has acted as a technical consultant of the fund in the past, and it is expected that his services will remain available to the fund when needed.

Mooney Appointed Executive Director Of the N. A. I. C.

George A. Mooney, whose term as Superintendent of Banks of the State of New York, expired Dec. 31, has been appointed Executive Director of the National Association of Investment Companies as of Jan. 1, at was announced by Herbert R. Anderson, President of the Association. Mr. Mooney was appointed Superintendent of Banks on Jan. 1, 1955. He had formerly been Assistant Business and Financial News Editor of "The New York Times."

George A. Mooney

Mr. Mooney was the first President of the World Trade Writers Association, an organization composed exclusively of writers on international trade. He is a former Governor and a member of the New York Financial Writers' Association.

The National Association of Investment Companies represents 149 open-end investment companies (mutual funds) and 24 closed-end companies with combined total net assets, as of year-end 1958, in excess of $14 billion.

Keystone's Views On 1959 Prospects

An 8% increase in Gross National Product is forecast for 1959 in Keystone's semi-annual Economic, Business and Financial Outlook for the first six months of the new year. The report was prepared by the economics department of Keystone Custodian Funds, Inc., trustee for 11 mutual funds with total net asset value of more than $422 million.

Summing up prospects for the months ahead, the Outlook concludes, "It appears that we have entered the upward phase of a normal business cycle. Corporate profits will average 25% higher for the year, and dividends will be up about 5%. Industrial production in the last quarter of 1958, measured by the Federal Reserve Board's index, stood at about 140% of its 1947-1949 level and is likely to average about 146% for the year 1959 as a whole. All in all, 1959 will be a good year, a competitive year, a year of further substantial progress for the American economy."

The Keystone publication touches on the problem of inflation, featuring a chart which shows the constant relationship between prices and the cost of labor per unit of production over a 28-year period starting in 1929.

Also included is a full-page discussion of the European Common Market and the importance of export markets to the American economy. The report points out that foreign trade is a two-way street, with the United States exporting $19 billion worth of goods in 1957 as against imports of $13 billion.

Change in inventory policy, one of the principal reasons for the recent recession, is now playing a major role in the rapid recovery, according to the Keystone Outlook:

"Through most of 1956 and early 1957, when the business outlook was optimistic, production exceeded consumption, goods piled up in warehouses and inventories were being accumulated. When the outlook for general business lost some of its glamour in mid-1957, however, management policies changed sharply and a general inventory reduction was underway. Businessmen dug into inventories to meet consumer needs, and production through most of 1958 was far below previous levels, particularly in the durable goods industries.

"Late in 1958 the normal upward phase was resumed. Orders were placed to bring inventories in line with shipments, business optimism returned, and consumer demand was accelerated. To bring supply and demand into something approaching balance, production was expanded and now appears to be about in line with consumption. Restocking of inventories is needed to serve the public efficiently at current levels of consumption, and in some cases to anticipate higher prices later in 1959—particularly for steel. Inventory accumulation should continue through most of 1959. although stock-piling is likely to be more rapid in the earlier part of the year than in the latter part.

"As a result of the increased production and the renewed demand for goods, profits snapped back more sharply than even the most optimistic had expected. Between the second and third quarters of 1958, profits after taxes adjusted for seasonal factors increased by 28%, and by another 10% in the fourth quarter. The rate of expansion in 1959 will be far more moderate, about 10% on an annual basis. Dividend increases will be more general in 1959, and dividend cuts will be far less numerous.

"With the improvement in corporate profits supplemented by more realistic depreciation allowances, there i sconsiderable assurance that business investment in machinery will turn upward. Capacity appears to be ample in most industries so that increased capital expenditures will not be needed for that purpose. Instead, expenditures will more than ever be influenced by such factors as equipment efficiency, products of research, technological progress, shifts in population centers, changes in transportation facilities, etc.

"Personal income should continue to rise in 1959, perhaps by as much as $18 billion, so consumer spending promises to help complete the production cycle. With spending for non-durable goods and services likely to reach about $9 billion more than last year, the consumer will have enough left to spend about 20% more than last year on durable goods. Under such circumstances, it is not unrealistic to expect a substantial increase in the sale of domestic-made cars."

Boston Income Fund at All-Time Highs

The Income Fund of Boston, Inc. reports total and net assets, and shares outstanding are now the highest in its history. Total assets of the Fund on Oct. 31, 1958 were $29,681,355, an increase of 74.5% over the total assets of $17,006,952 reported on Oct. 31, 1957. The net assets of the Fund on Oct. 31, 1958 were $26,352,368, an increase of 76.4% over the net assets of $14,938,610 reported on the corresponding date the previous year.

The fund is believed to be the only one in the country which has requested and received a ruling from the Treasury Department to the effect that under existing circumstances and provided certain requirements are met, a substantial portion of the distributions paid by the fund in March, 1959 and all dividends paid during the remainder of this fiscal year ending Jan. 31, 1959 will be non-taxable for Federal income tax purposes.

The report points out that if securities on which the fund currently has unrealized appreciation should be sold before the end of the present fiscal year, the present non-taxability of the fund's dividends for Federal income tax purposes might be disturbed. It is accordingly expected that any net gains realized from the sale of such securities between the end of the present fiscal year and March 15, 1959 will be distributed to shareholders shortly thereafter, either in cash or in additional shares of the fund at the option of each shareholder, and in either case will be taxable to recipient shareholders as a net long-term capital gain.

Mutual Fund Sales Aided by Market Uncertainty

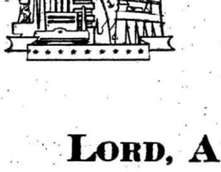
With the common stock market near its all-time high, the problems of individual stock selection are more complex for both individual and institutional investors as 1959 begins, according to Robert E. Clark, Executive Vice-President of Calvin Bullock, Ltd., New York, sponsors of six U. S. and Canadian mutual funds with assets of over $500,000,000.

Such an environment, he notes, emphasizes the importance of careful selection and frequent investment readjustment by professional management both for short-term protection and long-term profit. The well-managed mutual fund provides these features and, as sales of $1½ billion of new shares in 1958 would indicate, the investing public recognizes their value and usefulness.

"Sales of shares in even greater volume can be expected in 1959. Of growing importance in the 1959 sales outlook is the fact that there are now some 850,000 investors acquiring shares on a periodic basis; in 1958 alone about 230,000 investors initiated such plans. Assets held under these plans aggregate some $1.3 billion, or about 10% of the $13 billion in mutual fund assets at the year end."

The Bullock organization views the immediate market future with some skepticism, as is indicated by reserves in the form of cash and U. S. Government securities ranging from 10% to 20% of assets. "We think such buying power will come in handy during the new year," explains Mr. Clark, "and we expect to use it aggressively as various sections of the equity market adjust to a level more in line with present and prospective earnings, both in the United States and Canada."

"On the other hand, the long-term outlook for stocks is excellent," Mr. Clark asserts, "based on many factors including our rapid population growth, high levels of consumer income, remarkable technological changes and, in all probability, reduced dollar purchasing power."



Affiliated Fund

A Common Stock Investment Fund

Investment objectives of this Fund are possible long-term capital and income growth for its shareholders.

Prospectus upon request

LORD, ABBETT & CO.

New York — Chicago — Atlanta — Los Angeles

Wellington Equity Fund

FIRST quarterly DIVIDEND

Wellington Equity Fund (began operations October 24, 1958) 4c a share from net investment income to shareholders of record January 7, 1959 payable February 2, 1959 in cash or stock at shareholder's option.

WALTER L. MORGAN,
President

December 23, 1958.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—The greatest highway construction program this country has ever known will mark 1959. Federal Highway Administrator Bertram D. Tallamy acknowledges that there has never been anything to equal it anywhere around the world.

Besides the thousands of miles of primary and secondary roads under construction or under contract, there are approximately 3,900 miles of the 41,000 miles of divided, multilaned expressways, called the Interstate System, under contract.

A year from now motorists in nearly every section of the Nation will be driving on links of these access only, stop-light free, super duper roads. One of these days engineers maintain that motorists will be able to drive across the continent—New York to Los Angeles for instance—without having to stop for a traffic light.

It all sounds pretty good, but there is a catch in it. Somebody has to pay for it. The motorists have long been complaining they have to pay more than their share of taxes for the privilege of using an automobile. The immediate problem facing the Department of Commerce's Bureau of Public Roads is: Where are we going to get the money for the Interstate System during the next fiscal year?

The primary and secondary road systems and the urban highways have priority for the tremendous amount of funds that is collected from the motorist on his gasoline, oil, tires and various other taxes. These taxes are in addition to the taxes collected by local governments, counties and states.

Running Out of Money

Under the 1956 Highway Act passed by Congress, calling for the 41,000 miles of super highways with 250- to 300-foot rights of way, the Federal Government puts up 90% of the cost, and the various states the remaining 10%. The facts are the Bureau of Roads is going to run out of money pretty quick, so they say, unless Congress provides more funds at the new session. As a result, the Eisenhower Administration is recommending to Congress that the Federal gasoline tax be raised from 3 cents to 4½ cents a gallon in order to provide more funds for the Interstate program.

The primary and secondary roads will continue, of course, without interruption because of the huge yields that are currently coming into the Highway Trust Fund. Already across the Nation many organizations are notifying their Congressmen that they are opposed to further increasing the tax, and are requesting the law-makers to go to Washington prepared to vote against the proposal later in 1959. Many of them will, but when the showdown comes, chances are the gasoline tax will be increased once again.

Many people are now arguing that the funds for the Interstate System should come out of the Treasury Department's general fund, on the ground that the economy of the country is solidly interwoven with the automobile industry and its allied industries. Certainly at this time, there does not appear much chance that Congress will dip into the general fund for highway construction money, particularly in view of the huge deficit that is coming up six months from now.

Original Costs Too Low

The facts are the Interstate System, still in the early stages, is costing a lot more than the authorities estimated when they sold Congress on the idea of a 41,000 mile system. The 300-foot rights of way represent a lot of land, much of it valuable. Furthermore, literally thousands of homes and other buildings have been or will be razed to make way for the super duper roads. In some urban areas it will cost several millions of dollars to build a single mile of expressway through a city or urban area dotted with homes, parks, schools, factories and churches.

Already laid down in the United States are more than 3,000,000 miles of rural highways and approximately 365,000 miles of municipal highways. More than 250,000 miles of the rural roads are primary state and Federal highways with wide rights of way which consume more than 2,500,000 valuable acres of land.

Pernaps some of tne Nation's automobile manufacturers, the State Highway Departments, the many engineers, the concrete and asphalt people would agree that the day is coming that the present pace for land consumption in the United States, in view of the growing populations, cannot keep up at the present rate. Something has got to give. Sure, there is a tremendous amount of "surplus" acreage left in every state, but something will have to give in the future. The time is coming when it may be more important to raise food and fibre for the people, than to provide them with super duper expressways.

For the first time motorists during the latter months of 1958 were permitted to ride on links of the new multi-laned expressways. Preliminaries to actual construction, such as the engineering work and the right-of-way acquisition, takes from 18 to 24 months. Some of the states were far better prepared to launch their Interstate program immediately after passage of the 1956 Highway Act. Others had to start from scratch. Some are still behind "schedule," but are forging ahead.

$6.2 Billion in 1959

Total road construction in this country during the 1959 calendar year is expected to involve a total outlay of $6.2 billion, an increase of at least 15% over 1958. If plans are carried out as originally blue-printed, the road construction program will increase further each year for the next three or four years.

The road equipment industry, the cement and asphalt industries and the steel industry have some favorable years ahead of them. For instance the steel industry will be called upon for about 1,100,000 tons of steel products for the road program this coming year. The Department of Commerce says there is sufficient cement capacity now and for the next two or three years. A possible steel strike next summer, if prolonged, could slowdown construction a bit, in some particular areas.

However, tne Bureau of Public Roads, which administers the road program in cooperation with the various states, is more interested in more funds at this time than it is in anything else.

Tallamy's Views

"I have no doubt," said Mr. Tallamy, "that we are progressing toward the simultaneous completion of the Interstate System in all the States in accordance with the mandate given us by Congress. The engineering shortage is pretty much a thing of the past, the question of matching funds has been resolved in many States and is nearing solution in others. The contracting industry, as well as suppliers of materials and equipment, is geared to meet all the requirements of the program."

The Federal Road Administrator went on to say that practically all of the problems had been solved except the "big one." He added: "Last August we apportioned to the States a total of $3.4 billion for the fiscal year 1960, including $2.5 billion for the Interstate System and $900 million for the ABC. This was made possible by the suspension by Congress of the so-called Byrd amendment for the 1959 and 1960 fiscal years."

Senator Byrd of Virginia, Chairman of the Senate Finance Committee, was responsible for tacking an amendment to the 1956 Act, calling for a pay-as-you-go road construction program for the Interstate System. Of course, many of those having a direct interest in the construction program have been shouting long and loud that it is better to go in debt and complete the program. However, those interested in a sound fiscal policy for the Federal Government are opposed to going into debt.

New Legislation Expected

It would be a safe bet to say that Congress will further amend the Act early in the 86th Congress to provide the needed revenues. Unless more funds are provided, Mr. Tallamy says the Bureau faces the prospect of apportioning no Interstate funds next summer for fiscal 1961. The old year ended with $700,000,000 plus in the Trust Fund. The balance will be reduced during the remainder of the fiscal year ending June 30, 1959.

Meantime, Mr. Tallamy maintains that the Bureau of Roads and the State Highway Departments have learned that it is just as economical, or even more so, to design and build Interstate and other modern highways as entirely independent roadways.

"We can provide," said he, "a more interesting and safer highway by taking advantage of natural terrain to provide roadways on different levels and widely varying medians. . . . At the same time we must constantly be on the guard against the provision of more interchanges than are justified on an Interstate System. It must be remembered that this system is our basic, coast-to-coast and border-to-border highway network."

[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.]

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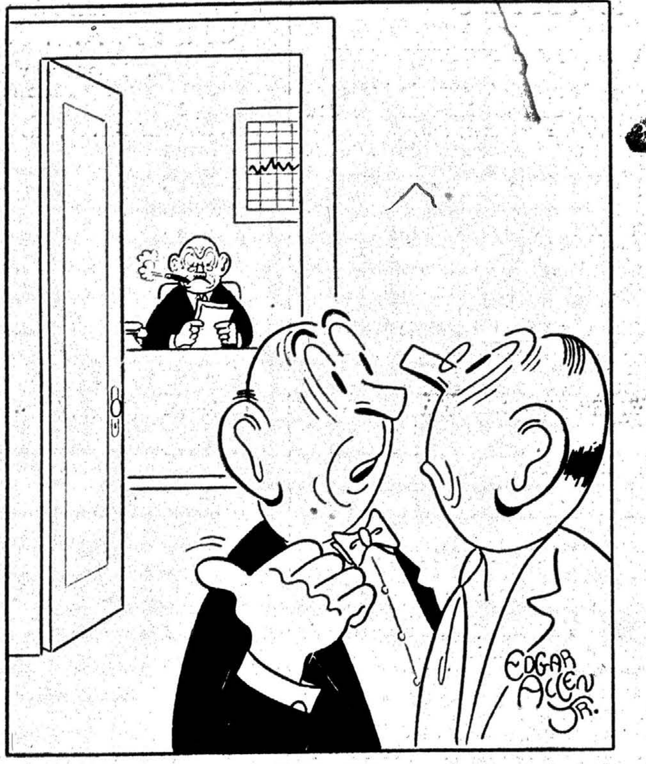
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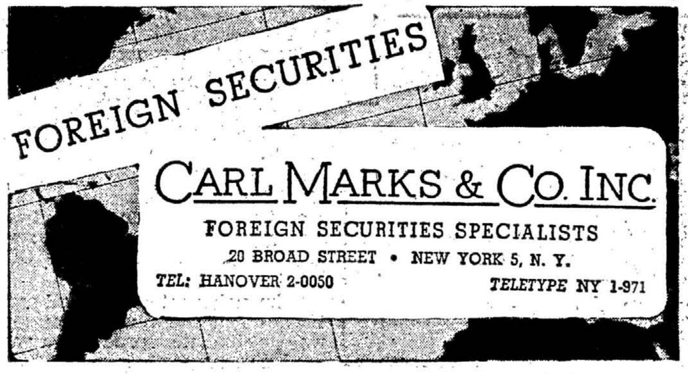

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