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EDITORIAL

As We See It

"We must zealously safeguard and improve the institutions of our free and competitive economy. America's unassailable economic strength derives in no small measure from the fact that over the years there have been incentives and freedom to do new things and to challenge old and established ways. Our strength comes in large part from the pressure which this competition entails. Measures to shelter groups from these pressures and from the need to make the readjustments that they compel come at the cost of limiting our capacity to grow."

In these words the President's Economic Report submitted last week to Congress sets forth one of the most elementary and vital prerequisites to that continued and vigorous growth about which so much is said these days. One need not look long for those groups which have been sheltered—so far as government can shelter them—from the need to make the readjustments that competition entails. The President himself shows that he is well aware of the results, or some of them, of this sheltering process even if he apparently is not ready to do what is necessary to correct the situation. "Despite recession during the first part of the year," the Economic Report points out, "wage rates continue to move upward. The rate of increase was nearly as great as in periods of economic expansion, and higher than the rate at which gains in productivity have been achieved in our economy over extended periods of time."

Little wonder that the President solemnly asserts that "leaders of labor unions have a par-

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Capital Inflow, Inflation and Monetary Policy in Canada

By A. T. LAMBERT*
Vice-President and General Manager
The Toronto-Dominion Bank, Toronto, Canada

Canadian banker addresses himself to his country's disquiet about the inflow of American investments and, turning to a nonunique domestic problem, proposes bold program with some risk to combat price inflation and further economic progress. With regard to the former, Mr. Lambert opines Canadians should be permitted to express themselves as to the form and behavior of investments within their border and, as to the latter, would supplement monetary-fiscal policies to encourage growth with devices to keep costs from getting out of hand in order to allow money supply to expand with output. Fears overly-restrictive monetary policy would curb business expansion without lessening upward price pressures.

The whole question of Canadian-American relationships in general, and of American investment in Canada in particular, is analyzed in considerable detail in the report of the Royal Commission on Canada's Economic Prospects—the so-called Gordon Report. Canadian disquiet on these matters has not gone unnoticed in this country either. It has attracted attention in the press, in Congress, and in the financial community.

Allen T. Lambert

Perhaps the best way to begin is with a quotation from the Gordon Commission: "Canada and the United States live in a kind of symbiosis—two organisms separate and distinct, each with its own ends and laws; but highly interdependent, indissolubly sharing the same continental environment and, in spite of a great disproportion in wealth and economic power, each necessary to the other." On

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*An address by Mr. Lambert before the Cincinnati Commercial Club, Cincinnati, Ohio, Jan. 17, 1959.

Canada's Business and Financial Leaders Speak After Turn of the Year

In articles especially written for the "Chronicle," individuals eminently qualified to accurately interpret the course of Canada's economy in the instant year present their views. The commentaries discuss the probable trend of key factors, including course of the money market, capital and consumer expenditures, housing, new developments in the oil, gas and mining industries, and other aspects of the nation's business life. The statements appear herewith:

HON. GORDON CHURCHILL
Minister of Trade and Commerce

Despite conditions of ample supply in world-commodity markets, Canada's sales abroad have not followed the downward trend of world trade at large. Total exports in 1958 have remained at about the same level as in the preceding year. Substantially increased sales have been achieved for several commodities. Prominent among these is wheat, exports of which reached 316 million bushels in the crop year 1957-58—up from 267 million bushels in the preceding year. Sales in commercial markets accounted for a good part of this increase. The improved protein quality of the 1957 and 1958 crops has been an important factor contributing to higher sales. Shipments made to Colombo Plan countries under long-term credit and aid arrangements have further added to the total movement. Barley also has been exported in larger quantities during the past year, most of the increase going to the United Kingdom. Canadian beef has been moving into the United States market in substantially increased volume to supplement drought

Hon. G. Churchill

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 54.

The Security I Like Best

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

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

VERNER H. KRAFT

Vice-President, Oscar F. Kraft & Co., Los Angeles, Calif.
Members: National Association of Securities Dealers

Pendleton Tool Industries, Inc.

Verner H. Kraft

With the market's preoccupation with so-called "glamour" stocks, the tendency is to overlook the companies which have been quietly building up impressive sales and earnings records in the long-established industries. An outstanding example of the latter variety is the 51-year-old Pendleton Tool Industries, Inc., Los Angeles headquartered firm. The Pendleton story, unlike those of many "glamour" companies, is not merely a dream of possible future greatness; rather it is a record of solid performance which shows every indication of continuing. Pendleton's performance can be likened to a car going up a mountain road. You don't realize what a steep grade you've climbed until you look back. In 1940, the company had approximately 5% of the market; today it has about one-seventh of a larger market.

This achievement came through following modern concepts of good organization and management. Morris Pendleton, a human dynamo who became General Manager 36 years ago right out of college, presides over an aggressive marketing department; a cost-conscious manufacturing department which, at the same time, has built a reputation for quality; a conservative financial department and a progressive industrial relations department. The marketing, manufacturing and financial vice-presidents and the director of industrial relations are energetic men with many years of experience in their fields and with the company.

Pendleton Tool is better known to its customers through the trade names of Proto, P & C, Challenger, Fleet, Duplex and TAC. It manufactures about 2,100 different kinds of hand tools and related items in two divisions and seven subsidiaries for a wide variety of industries. Three plants are located in Los Angeles; others are in Portland, Ore.; Chicago; Jamestown, N. Y.; Fort Smith, Ark.; and London, Ontario. Although foreign competitors have made a strong attempt to break into the American market, they have succeeded in gaining only about 2 or 3% of total sales. Over 10% of Pendleton's sales, on the other hand, go into the export trade. Last year, the company entered a new market by producing and selling packaged consumer tool kits, under the name "Diligent Duchess," for household use.

In 1958, Pendleton Tool struck a telling blow at the notion that it is involved in a highly cyclical business. In the face of the recent recession, company sales boomed to $19.4 million (without acquisitions) from $17.6 million in 1957. "The newspapers kept saying there was a depression on, but we had our salesmen out selling rather than reading the papers," Mr. Pendleton states.

Earnings also held up well as an estimated net of $2.07 a share on the 485,969 shares outstanding closely approximated the $2.10 a share marked up in 1957.

It would be overstating a point to say the company was not affected by the recession, however, as it took about a 10% increase in sales to bring down the same amount to net. Expressed in another way, profit margins declined to about 5.2% in 1958 compared with 5.8% the year before as keener competition caused a rise in sales expense and tighter bidding on government contracts. Also, interest costs were higher and charge offs were made of certain development costs on new products and of expenses resulting from a fire at one of the plants.

With the rebound in the economy, profit margins should improve. Thus, as sales of $20.5 million are budgeted for 1959, earnings could rise substantially.

The company declared stock dividends of 20% in both 1956 and 1957, and, in 1958, raised the annual cash dividend rate from 80 cents a share to 90 cents a share. Although company officials have indicated no immediate intention of raising the rate, the stock can be considered a definite prospect for a dividend increase in view of its improving fortunes.

About 2,500 shareholders own the 486,000 shares of common stock outstanding. Approximately one-fifth of the shares are held by directors, management and employees of the firm with the remaining shares widely held.

Over the longer-term, the increasing mechanization and automation of the economy and the do-it-yourself trend indicate a growing market for mechanics' hand tools. This affects the bulk of Pendleton's sales. In addition, two of its metalworking subsidiaries are devoted to tapping the vast missile, electronics and aircraft fields by providing precision, close tolerance components and special purpose tools and equipment.

How frequently in today's market can you find a well-managed company with a solid past and a promising future, which, at a recent offering price of 18 (Over-the-Counter Market), sells at about 8½ times 1958 earnings and yields over 5% on 1958 dividends—especially when both earnings and dividends may well rise in 1959? I highly recommend its purchase.

This Week's Forum Participants and Their Selections

Pendleton Tool Industries, Inc.—Verner H. Kraft, Vice-President Oscar F. Kraft & Co., Los Angeles, Calif. (Page 2)

Deere & Company—Proctor Winter, Assistant Vice - President, Harriman Ripley & Co., Inc., New York City. (Page 2)

PROCTOR WINTER

Assistant Vice-President
Harriman Ripley & Co., Incorporated, New York City

Deere & Company

Proctor Winter

There are many reasons why I like the common stock of Deere & Company, the most important of which being the company's long history of sound management. This year the company will mark its 122nd year of manufacturing farm equipment. A succession of excellent management through this long history has resulted in a fine financial condition, an enviable reputation throughout the farm world and the complete confidence of the company's stockholders and bondholders.

Deere manufactures and distributes on a world-wide basis a complete line of agricultural implements and farm tractors. Over many years the company has had marked success in maintaining a traditional advantage of fuel economy and low maintenance cost. The historical approach of the company has been to anticipate the farmers' need for new and improved types of farm equipment, with the result that Deere has achieved many "firsts" in the farm tractor and equipment field. Recently Deere has broadened its scope by entering the light industrial field with a new line of wheel and crawler tractors and has also begun expansion into light industrial equipment manufacture. Substantial benefits should be expected from this closely related new area of endeavor.

In order to insure its future position in the farm tractor and equipment field, in addition to its several established research and engineering facilities, a new center devoted to tractor research and engineering was completed in 1956 at Waterloo, Iowa. This concentration of tractor research and engineering should prove most beneficial since the growth in the size of farms has made larger and more complex farm machinery essential and consequently, larger and more powerful tractors and heavier duty hydraulic control equipment must be developed concurrently. The new research and engineering center contains laboratories with the latest electronic and mechanical equipment, several types of test tracks and ample acreage of crop land for development of advanced tractors.

No common stockholder of Deere & Company who has ever driven through farm country could help but feel a sense of pride in his company upon passing one of the many distribution centers or factories of this company. Deere has had a continuing program of modernization and expansion of its plants and facilities having expended approximately $68,500,000 on plants and facilities in the past five years. The program for the next two years, which includes new production facilities and a new administration center, will require each year larger expenditures than the 1958 total of approximately $15,000,000.

Sales in foreign countries of farm equipment products manufactured in the United States and Canada have been unsatisfactory in recent years. Dollar shortages and trade restrictions in many parts of the world, and the fact that products produced in foreign countries can often be priced lower have brought about this situation. To compete in these markets, Deere has taken several significant steps. In Monterrey, Mexico, the Company began assembling tractors and manufacturing farm wagons and certain other farm equipment in a new factory in 1958. It plans to expand this

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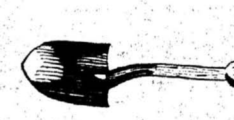

Review and Prospects For Canada's Economy

By HON. DONALD M. FLEMING*
Minister of Finance, Canada

In reviewing Canadian economic conditions, Mr. Fleming is optimistic about the basic outlook for Canada and makes clear that the government does not intend to interfere in the support of its bonds. The Finance Minister explains the advantages of recent debt-lengthening conversion; comments on its successfulness, including its timing in the light of present decline in the conversion loan bonds; and concedes the critical threat of inflation remains and requires prevention efforts not only by government but of employers, employees and self-employed persons as well. Willing to admit Canada has its problems, the Minister adds, however, that the economy is sound, strong and never was there a time when Canadians had more reasons for confidence in their country and in her future.

I welcome this opportunity to review and assess the leading economic events and trends of 1958 and to estimate as best we can the strength and probable trend of these forces during the new year upon which we have now entered. The Roman God, Janus, after whom this month is named, was always represented at the threshold of the temple with two faces, looking in opposite directions. It is appropriate that at this time of year we look back at the recent past and forward to the early future and guide our courses accordingly. The continuity of history is not changed simply by an alteration of a digit in the date.

Hon. D. M. Fleming

I know I do not need to remind you that under our constitutional system, a Minister of Finance must observe some very severe restrictions in the scope of any forecasting in which he indulges except in his annual Budget presentation to the House of Commons. While he may and should at times comment upon the forces at work in the economy, it would be highly improper for him to relate such factors in a public utterance to future financial plans.

Conflicts in the Economy

We behold in the economy of this continent today a strange coexistence of conditions normally associated with inflation and conditions normally associated with deflation. I suppose there never has been a time when contrary forces were so openly at work in conflict with each other in the economy as in recent times. In the winter of 1957-58, we witnessed a relatively high level of unemployment and evidences of recession in business activity which happily yielded in the spring of 1958 to stronger and healthier forces in the economy. Even with continuing unemployment, we must be aware of inflationary forces present in the economy. The concurrent existence of higher than normal unemployment and a disturbing inflationary potential is puzzling and confusing economic observers not only in Canada but, as I observed in my travels last autumn, in many other countries.

The next factor of which full account must be taken is that the Canadian economy cannot be isolated from world influences. As an exporting nation, we are sensitive to changes in the economic climate in various parts of the world; we are particularly vulnerable to financial and economic trends in the United States. We have been inescapably reminded of this factor in the year just closed.

Events of 1958

An economic review of the year 1958 must recognize the primary importance of two events, both of which augur well for the future prosperity of Canada. In the first place, it is now widely recognized that the spring of 1958 marked the bottom of the recession in North America and that economic activity is once again on the increase. Second, the Commonwealth Trade and Economic Conference which took place in Montreal in Sep. confirmed our most optimistic hopes about the strength and cohesion of this great Commonwealth association of free nations. It is perhaps fair to say that the groundwork was laid in Montreal for the pursuit by the Commonwealth of a more vigorous role in the larger task of bringing about a prosperous and expanding world economy.

From the Montreal Conference emerged agreement on the desirability of the restoration as soon as possible of convertibility of exchange, the removal of discriminations and restrictions against imports from dollar countries and the enlargement of the resources of the International Bank and Fund. As a sequel to the Montreal Conference and the later meetings at New Delhi has come a gratifying series of recent announcements. The United Kingdom and other countries of Europe have taken important steps toward convertibility and removal of discrimination, and it now seems assured that the resources of both the Bank and Fund will soon be substantially increased. These important developments

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*An address by Mr. Fleming at the Canadian Club of Toronto, Jan. 5, 1959.

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Articles and News

ARTICLES PERTAINING TO CANADA'S ECONOMY DURING 1959

CANADA'S BUSINESS AND FINANCIAL LEADERS SPEAK AFTER TURN OF THE YEAR

Starting on the cover page, we present the views of leading Canadian Government, Financial and Businessmen as to the probable course of Canada's economy during 1959. These articles, of course, were expressly written for the "Chronicle" and provide the reader with official, up-to-the-minute information regarding economic trends in Canada.

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Observations . . .

By A. WILFRED MAY

POPULAR DELUSIONS THROUGH THE AGES

Their Appraisal by Mr. Baruch

"All economic movements, by their very nature, are motivated by crowd psychology. Graphs and business ratios are, of course, indispensable in our groping efforts to find dependable rules to guide us in our present world of alarms. Yet I never see a brilliant economic thesis expounding, as though they were geometrical theorems, the mathematics of price movements, that I do not recall Schiller's dictum: Anyone taken as an individual, is tolerably sensible and reasonable — as a member of a crowd, he at once becomes a blockhead' . . . Without due recognition of crowd thinking (which often seems crowd-madness) our theories of economics leave much to be desired. It is a force wholly impalpable—perhaps little amenable to analysis and less to guidance — and yet, knowledge of it is necessary to right judgments on passing events. . . .


A. Wilfred May

"The migration of some types of birds; the incredible mass performance of the whole species of cotton eels; the pre-historic tribal human eruptions from Central Asia; the Crusades; the mediaeval dance crazes; or, getting closer to economics, the Mississippi and South Sea Bubbles; the Tulip Craze [termed "Tulipomania" in a following chapter] and . . . the Florida boom and the 1929 market-madness in America and its sequences in 1930 and 1931 — all these are phenomena of mass action under impulsions and controls which no science has explored. They have power unexpectedly to affect any static condition or so-called normal trend. For that reason, they have place in the considerations of thoughtful students of world economic conditions. . . . accurate knowledge and popular recognition of them and their early symptoms should lighten and may even avoid the more harmful of their full effects. . . .

"Although there be no scientific cure, yet in all primitive, unknown (and therefore diabolic) spells, there may be incantations. I have always thought that if, in the lamentable era of the 'New Economics,' culminating in 1929, even in the presence of dizzily spiraling prices, we had all continuously repeated, 'two and two still make four,' much of the evil might have been averted."—*Quoted by permission from B. M. Baruch's Foreword to EXTRAORDINARY POPULAR DELUSIONS and the MADNESS OF CROWDS, by CHARLES MACKAY, 1958 ed., L. C. Page & Co., N. Y., publishers; $7.*

The Crowd's Extraordinary Behavior

"In reading the history of nations, we find that, like the individuals, they have their whims and their peculiarities; their seasons of excitement and recklessness, when they care not what they do. We find that whole communities suddenly fix their minds upon one object, and go mad in pursuit; that millions of people become simultaneously impressed with one delusion, and run after it, till their attention is caught by some new folly more captivating than the first. . . . Money has often been a cause of the delusion of multitudes. . . . Men, it has been well said, think in herds; it will be seen that they go mad in herds, while they only recover their senses slowly, and one by one."—*From preface to the above-cited book, 1852 edition.*

1929 Item
"Wall Street Lays an Egg"

"The most dramatic event in the financial history of America is the collapse of the New York Stock Exchange. The stage was Wall Street, but the onlookers covered the country. Estimates are that 22 million people were in the market at the time. Tragedy, despair and ruination spell the story of countless thousands of marginal stock buyers. Many may remain broke for the rest of their lives, because the money that disappeared via the ticker tape was the savings of years.

"The story of what happened on Thursday and the further drop never will be told. As an example, Baldwin Locomotive, a stock that sold at $285 a share, was recently *split up* four for one, the new price being around $66. It went down to $15."—*From VARIETY, Wednesday, October 30, 1929.*

January 1959 Item
(Splitomania Again)

A current Wall Street market letter typically devoted to "Split Candidates" and the return of the popular Split Appeal in our present era says: "When Telephone's 3-for-1 split becomes effective this summer, there will probably be close to 100 issues selling above it, so it will break part of the price barrier which has prevailed these many years.

"Many corporations desirous of obtaining new stockholders will have to meet this additional competition by splitting to a lower level than that of Telephone stock. Such action would probably have a very bullish effect on the whole market."

This is followed by a list of 80 Big Board stocks which are selling above the A.T. & T. new stock, and hence are likely "split candidates"; and thus could "spark a chain reaction" in the market's hundreds of issues selling between 40 and 75.

In conclusion there are listed 56 additional "candidate" issues, from Abbott Labs to Worthington, which "might have been split even without Telephone's action."

* * *

The Special Appeal of Security Speculation

Popular delusions concerned with security speculation, unlike such isolated historical outbursts as the South Sea madness, the Mississippi scheme or Tulipomania, are uniquely appealing and recurrent through rationalization stemming from their being linked to the country's most "legitimate" industrial and economic activities.

Pacific Northwest Co. Official Appointments

SEATTLE, Wash. — The Pacific Northwest Company, Exchange Building, announces the following official appointments:


Lyle F. Wilson


Robert E. Daniel


Stanley N. Minor

Chairman of the Board: Lyle F. Wilson.

President: Robert E. Daniel.

Chairman of the Executive Committee: Stanley N. Minor.

Vice-Chairman of the Board: Ben B. Ehrlichman.

Aluminium Limited Secondary Offering

A secondary offering of 452,155 shares of capital stock (without nominal or par value) of Aluminium Ltd. was made on Jan. 27 by The First Boston Corp. and associates at $30.50 per share, with a dealer's concession of 80 cents per share. The offering was oversubscribed.

The net proceeds will go to selling stockholders, and will not accrue to the company.

The State of Trade and Industry

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

The following resume of the business situation gleaned from the monthly business letter issued by the National Association of Credit Management is a succinct presentation of the business conditions existing to date.

"Business recovery, from the low of only 10 months ago, has exceeded expectations. The creative initiative of our business leaders; the return of the 'hard sell'; several positive actions by government and some built-in correctives by law helped to pull us out of the slump, but the biggest factor was confidence of the consumer in the future of America. Favorable developments have generated increased consumer buying. The holiday season produced significant improvement in durable goods sales. Most industries are adding to inventories.

"There seems to be much honest enthusiasm for business prospects in 1959. Corporate dividends and profits are heading for another all-time high. The boom expected for 1960 should get a good start this year.

"The recession is now history. In a limited number of industries and locations it left some scars and problems. Business will always have trade and seasonal fluctuations. Over-all, however, we are well on our way toward resumption of the growth trend that has characterized the postwar period."

Unemployment Claims Up 27% for Jan. 10 Week

Initial claims for unemployment insurance rose 27% in the week ended Jan. 10, but were 6% below a year ago. The week-to-week rise was due to post-holiday cutbacks in trade and service and seasonal curtailments in the construction and lumber industries. Claims rose most noticeably in California, Pennsylvania, and Missouri.

Electric Utilities to Spend $4.9 Billion

The nation's electric utilities expect to spend $4.9 billion for new construction in 1959. But while total expenditures will be substantially the same as in 1958, individual items show significant changes. This is the consensus of the 55th "Annual Statistical Report" on the electrical industry, as prepared by "Electrical World," McGraw-Hill publication.

Generation, while still holding claim to the largest single budget item, is slated to drop 4.1% to $2.48 billion. This decline results entirely from a 10.9% drop in expenditures for new steam plants since hydro construction is up 18.1% to a record peak of $712 million.

Distribution plant spending, the second largest item, is expected to jump $82 million or 6% to $1.46 billion. Transmission expenditures for 1959 are scheduled to inch up 3% or $23 million to $787 million. Even the smallest segment of the utility budget, "miscellaneous," is in for a 5.3% boost to $197 million, the magazine says.

These changes are particularly significant since they are based on a recession year which held energy sales to about a 2% gain and resulted in across-the-board cutbacks in 1958 utility spending plans. The economy moves by utilities had the effect of cutting 1958 spending plans as follows: Generation, 2.5%; transmission, 9.8%; distribution, 11.1%, and "miscellaneous," 10.1%, for a total decrease of 6.5%.

The greater portion, or 72.4% of 1959's construction spending will be by power companies. Last year they accounted for 76.7%. Of this 72.4% or $3.6 billion, $1.6 billion will go for new generation facilities compared wth $1.9 billion in 1958, down 5.5%. Steam plant expenditures will decline 8.9% to $1.5 billion while hydro spending will plummet 53.5% to $119 million.

Investor-owned utilities have also budgeted a 1.5% increase in transmission expenditures to $617 million; a 5.6% increase in distribution to $1.2 billion, and a 2% increase in "miscellaneous" to $155 million.

Record Year Expected for Electronics Industry

"Electronics," the McGraw-Hill publication, predicts that the year 1959 will set another record for the electronics industry, with sales of equipment and replacement parts totaling over $9 billion.

The U. S. Government, biggest consumer of the electronics in-

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Exciting Electronics

By DR. IRA U. COBLEIGH
Enterprise Economist

A swift review of the products, progress and profits of certain smaller and lesser known units in the electronic industry, and the large capital gains some have achieved for early investors.

Horatio Alger is seldom read these days; and the sagas of "office boys to president" which used to animate the pages of the American Magazine 30 years ago seem now to be an archaic literary form. Among the hot rod set of today a "beatnik" is more idolized than a world-beater." But respect for, and admiration of outstanding success, are still, fortunately prevalent viewpoints in Wall Street. Rapid market multiplication of dollars remains a major goal for tens of thousands of shrewd investors and imaginative speculators and in the past five years the industrial stock group showing the most dramatic market rise has been electronics.

Ira U. Cobleigh

Consider for instance that you could have bought Electronic Associates at 1¼ in 1954 and sold it at above 60 in 1958. Milgo Electronics was issued at $1 a share in 1955. It sold at 64 last week. Acoustica Inc. was offered for public subscription at $1 in 1954. It sold above 25 last year. And General Transistor, now selling on the American Stock Exchange at 55, was buyable at $3 a share in 1956. Now this dazzling documentation of the fortune building opportunities you and I missed is not presented to make anyone feel ashamed of his own market achievements. It is merely recited to stress, once again, that there are always great bargains to be found somewhere in the market, waiting only for those with the wit, wampum and nerve to buy 'em. Since 1954 such bargains have been a frequent occurrence among growing electronic enterprises.

This industry today is a versatile giant. Omitting entirely the huge telephone and communication segments and the entertainment electronics of radio, T. V., Hi-Fi and tape recorders, a vast and surging business is going on in commercial, industrial and military electronics. Of these by all odds the most romantic is the military. Government expenditure on electronic components, units and systems for missiles, rockets and orbiting satellites in 1959 will be about $5 billion. Electronic, guidance, control, actuating, reporting and communication systems make up more than 50% of the cost of guided missiles. And the bigger the missile and the longer its range, the more complicated and sophisticated are the electronic systems required. Not only that, but improvements are constantly being made. Research in an electronic company is an indispensable and unending ingredient. Today's product line was outmoded yesterday!

Before we touch upon a few attractive companies in this most interesting investment field, some general observation may be appropriate. So great is the current enthusiasm for electronics shares that many sell at questionable or even fantastic price-earnings ratios. Forty, fifty or even eighty to one ratios are not uncommon. None of the younger companies pays out significant cash dividends, although sizable stock dividends, or stock splits are common. (No one would think of buying an electronic for current yield.) Many companies are a little thin on working capital due partly to continuous outlays on research and development. Further, the advantages in combining managerial, sales, and scientific talent, and the need for larger more complete laboratory facilities are factors constantly at work in the direction of corporate mergers. Probably electronics will produce more mergers than any other industry in 1959.

Electronics Associates

Electronics Associates has advanced rapidly to a point where new orders are coming along at the rate of over $1 million a month. This company is the largest factor in the field of analogue computers doing about 70% of the total business in this area. Its 231 R high precision computer PACE costs $20,000 for the simplest unit, with the price for more elaborate systems running up to several hundred thousands. Other major products include ADDALINK, a high speed converter between digital and analogue computers; VARIPLOTTER which converts computer data to chart readings. Electronic Associates has achieved a nice balance between military and industrial markets (about 50-50), and operates at an above-average profit margin. Earnings of around $1.15 a share for 1958 should grow to about $2.25 this year. On this basis the present share price of 54 (over-the-counter may seem a bit full, but no doubt, gives weight to a quite remarkable growth rate, 612,084 common shares outstanding.

Epsco, Inc.

Epsco, Inc., too, has traveled fast with sales rising from $95,522 for 1954 to about $4½ million for 1958. The company has grown up around its pioneer development and perfection, in 1955, of the first adjustment-free high speed analog to digital converter. This basic converter called DATRAC is used by such system manufacturers as Convair, General Electric, Lockheed and Bell Telephone Laboratories. Epsco systems include Data Logging, Digital Recording and Telemetry; the ADDAVERTER for analog/digital computer linkage; the DATAVERTER for conversion of data; and test, Alarm and Monitor Systems.

In militronics, Epsco offers Pulse Code Modification (automatic telemetering of information from missile to control center) and Airborne Computer Controls for manned aircraft, and missiles. Epsco equipment functions in the Polaris, Minute Man and Dyna Soar missiles.

Epsco, Inc. capitalization is presently 370,000 common shares plus an issue of convertible debentures callable Sept. 1, 1959. If these are called (forcing conversion), and certain options are exercised there will be outstanding a total of 520,000 common shares. Present over-the-counter quotation is 45. A net of around $200,000 for 1958 seems probable or about 50 cents a share on common now outstanding. Much better results may be expected for 1959 with perhaps a 75% increase in sales, and net earnings of above $500,000, a possibility. Management is excellent and divisional coordination within the company unusually efficient.

Analogue Controls, Inc.

Much smaller than the two just mentioned, but growing rapidly is Analogue Controls, Inc. Sales have been in a steadily rising curve—$224,000 in 1956, $370,000 in 1957 and $720,000 in 1958 (fiscal year ends Oct. 31). The basic company product is potentiometers. These are basic units in a broad variety of electronic instrument, mechanism, computers and meters. Analogue manufactures 28 different models, and is doing research and development on a number of new potentiometers including Continuous Rotating Multi-turn, High Life Wire Wound, Cam Generated Non-Linear, and Oil filled varieties.

Major development work is also in progress in other broad areas: air bearing functioning at fantastic rotation speeds (up to 200,000 R.P.M.); servomechanisms; high speed gear increasers and reducers for motors and blowers in jet aircraft and guided missiles; and low torque anti-backlash gear systems.

Analogue Controls, Inc. netted $28,623 after all charges and taxes in 1958. Results this year are expected to continue on a favorable up curve due to a steady rise in sales, moving to a new and much larger modern plant in Hicksville, Long Island; and expanded sales representation both in and outside, the United States. The Analogue customer list reads like a Who's Who in the electronic industry.

Capitalization of Analogue Controls, Inc. consist of $305,000 in 6% convertible subordinate debentures; $50,000 in 5% convertible preferred and 300,000 shares of common. The common trades over-the-counter in New York and is listed in Toronto. It sells currently at 7¼.

Other Candidates

Other interesting electronic equities you might wish to look into would include D. S. Kennedy Co., leading maker of large antennae; AMP, Incorporated, leading manufacturer of solderless electric wire terminals; Electro Instruments, maker of measuring instruments, graphic recorders and precision amplifiers; Amphenol Electronics, leading producer of connectors and cables used in communication, aircraft missiles and computers; American Bosch Arma, prime contractors for the inertial guidance systems for Titan and Atlas long range missiles; Milgo Electronics Corp. maker of the XY recorder, and other missile instrumentation.

Electronics are indeed exciting. The right company can keep you in Cadillacs. But here, as elsewhere in life, you can pay too much for glamor!

May & Gannon Inc. Celebrates 30 Years

BOSTON, Mass.—May & Gannon, Inc., 140 Federal Street, is celebrating the thirtieth anniversary of the firm's founding in January 1929.

Wm. J. Burke, Jr.

Joseph Gannon

The firm deals in industrial, textile, public utility, nucleonic and electronic stocks and bonds.

Joseph Gannon is President and William J. Burke, Jr., Vice-President and Treasurer.

White, Weld Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Francis J. Mullin has been added to the staff of White, Weld & Co., 111 Devonshire Street.

Current Monetary Policy And Federal Reserve's Role

By ALFRED HAYES*
President, Federal Reserve Bank of New York

Central bankers' spokesman explains present monetary policy, commends Treasury's willingness to pay going interest rates for new securities, asks that increased public spending be matched with *tax* revenues, and dispels notion that the Fed is negative or ultra-conservative. In view of recovery pace, Mr. Hayes declares a close rein will be kept on member bank reserves to forestall false ideas of monetary-credit inflationary developments without, however, interfering with recovery and growth. He blames propensity for deficit financing for Fed's attitude toward economy and Federal spending, and refuses to go along with those who would passively accept recessionary tendencies as strongly as he opposes price inflationary trend.

I would like to make a few comments on the place of monetary policy in the kind of world we live in—a world characterized mainly by rapid change, either evolutionary or revolutionary, both in our own country and in virtually all other nations. Now, unfortunately, there seems to have grown up around the concept of monetary policy an aura of ultra-conservatism, which suggests in the minds of some people that monetary policy is essentially negative, and hence obstructive of the more progressive elements in our society. To my mind this view is wholly misguided. In fact, monetary policy has contributed strongly to economic progress in recent years, and those who have been given the responsibility of shaping monetary policy in this country are genuinely interested in seeing to it that it should continue to be a factor in building a dynamic, viable and growing domestic and world economy.

Alfred Hayes

Doubtless a principal reason for this unfortunate public image of monetary policy is the degree of emphasis it has necessarily placed on fighting inflationary tendencies. There are critics who accuse the Federal Reserve System, for example, of being so obsessed with inflation that it has neglected equally important objectives in a one-sided effort to achieve price stability at all costs. My reply is that our greatest interest lies in achieving economic growth over a period of years at a sustainable rate, and that our close interest in price stability reflects mainly our belief that any appreciable degree of inflation is very likely to cause speculative distortions and to render unsustainable almost any rate of growth.

Wants Real, Not Superficial Growth

I do not mean to imply by "sustainable" that we can expect a completely smooth and steady growth, for some moderate fluctuations are not only probable in a free economy where millions of individual decisions are being made at all times, and where expectations are bound to range widely between optimism and pessimism, but such moderate fluctuations may even be a necessary condition for maximum average growth. Occasional lean periods seem to be necessary to increase incentives to eliminate waste and achieve greater efficiency, and thus to spur productivity. We must be firmly opposed to those superficial appearances of rapid growth which are so unsound as to carry the seeds of severe declines entailing heavy social losses in the form of large unemployment and large unused capacity. It has been argued that a higher rate of growth can be achieved if prices are allowed to "creep" upward. But I think that without this "creep" we are much more likely to avoid excessive spurts and severe declines and thus to attain the best average growth—and it is *average* growth that will count in the long-term competition between the free world and the Communist bloc.

I know of no way of setting a percentage figure on the annual rate of growth we should expect to attain. But it is clearly desirable to set our sights high in the

Continued on page 48

*An address by Mr. Hayes before the 31st Annual Mid-Winter Meeting of the New York State Bankers Association, New York City, Jan. 26, 1959.

Economic Profile of America—1959

By JULIAN D. WEISS*
President, First Investment Company, Inc.
Los Angeles, Calif.

In providing the basis behind prediction of $470 GNP this year and no major stock decline developing, Mr. Weiss is not unmindful that this depends on labor-capital harmony. The investment counselor anticipates a sharp, short spring shake-out—providing a favorable buying opportunity—and his one-year forecast sums up conflicting elements as being in rough balance which should result in a trading range for the market on a selective basis. He recommends accumulating sound values in carefully-selected issues, in opposing increasing risk, and explains why he foresees the market going still higher for the long term.

There are four major topics I would like to cover. All are extremely important. These include: (1) the domestic scene, i.e., the business outlook from the domestic point of view; (2) the foreign situation; (3) the bond market outlook; and (4) the stock market outlook.

Julian D. Weiss

I might mention that the topics to be covered are so broad in character it will be necessary to take a comprehensive rather than an intensive approach. I plan to state our conclusions and then give the highlights of the underlying reasoning.

The Domestic Economy

Last year there was a decline of about 6 or 7% in industrial production, as measured by the Federal Reserve Board Index of Industrial Production. We feel that this year will enjoy an increase of similar magnitude, thereby roughly attaining the all-time high, peacetime levels of 1957. For a more comprehensive measurement we must look at Gross National Product. This measures the total output in dollars of goods and services in the United States. We predict that this year GNP will approximate $470 billion, which compares with $437 billion last year and $440 billion in 1957. This would represent an all-time high.

Now, what is the basis for this relatively optimistic conclusion? I might mention, by way of perspective, that just one year ago, the public and the financial community were exceedingly gloomy. We expressed the viewpoint at that time that the economy would bottom out by late spring or early summer, after which we would have a sizable recovery. The bottom was reached in the April-May period. Now, this year we face a different situation. We are in a recovery trend which is likely to continue at least throughout this year. The magnitude of this recovery will be substantial, as already pointed out.

What are the component elements that enter into this? In order to get an accurate picture, we have to look at the demand side of the equation. We must look at the major spending streams in the United States. We emphasize demand rather than supply, because in the United States — fortunately, because of our improved technology and increased productivity, etc. — we have had the ability, barring the exception of wartime periods, to supply the demand. So, the question is, what is the demand going to be, and what are the main spending streams in our economy.

The three main sources of demand include (1) various types of capital expenditures (called "Gross Private Domestic Investment"), (2) demand by government for goods and services, which has been growing steadily, and (3) demand by individuals.

Examines Economy's Components

Now, let's dissect these components and see what "makes them tick." Let's take the demand by industry. Total demand by industry will be about $65 billion this year compared with about $53 billion last year, an increase, say, of $12 billion, which even in these days is an increase of no small magnitude. Now, what are the components that go into this?

The first element relates to the inventory situation. Last year's business decline stemmed in large degree from reductions of inventories by business. To the extent inventories are reduced, production tends to be below the actual level of demand. For 1958 as a whole, the inventory reduction was about $5½ billion. This year, because of greater volume of business, and because the level of inventories is reasonable, I think we are safe in predicting an increase of at least $3 billion. This means a shift of $8½ billion that is going to be added to production—to the output of goods and services.

The second component is housing. Housing held very well last year, and new residential starts were about 1,170,000 units. The expectation this year is for a modest increase, a little over 1.2 million units. However, costs are continuing to increase. We think that the dollars that go into new housing will increase by about a billion dollars. Also, highway construction will go up another billion dollars.

The third component in the capital goods area is business expenditures for new plant and equipment. Last year I predicted a sharp decline in that sector, and I anticipated little recovery by the year-end. That has proven true. These expenditures, which aggregated $37½ billion in 1957, dropped to about $30½ billion in 1958. Indications point to a gain of about $2½ billion in 1959. If you will total these three or four things that I have mentioned, you will find that we have a plus factor of $13 billion.

Let's turn to the government aspect; specifically, expenditures for goods and services. The government has been spending more and more. In fact, we are talking this year about a reduction, in the coming fiscal year, of expenditures to a mere $77 billion compared with $80 billion this fiscal year. Of course, the peak New Deal expenditure in any year prior to World War II was about $8 billion; and I might add, just coincidentally, that our interest charges on the government debt alone are now $8 billion a year. We can be sure that government expenditures will increase. We need not argue whether it is good or bad. The important thing is to recognize the existence of this trend. If the American people want it, that is what we will get. It is interesting to note that last year the Federal Government's expenditures for goods and services were about $52½ billion, or up about $1½ billion from the year before; and this year they are likely to approximate $55 billion, up another $2½ billion. This excludes items such as interest on the debt.

Now, let's look at state and municipal expenditures. Some 20 years ago they were around $9 billion, by 1949 they increased to $19 billion and this year were $39 billion. They have more than quadrupled in 20 years and have more than doubled in the past 10 years. This year they should increase by another $3 billion to $42 billion. Thus, there would be about a $6 billion increase in total Government expenditures.

Rosy Consumption Picture

Next comes consumer expenditures. They still constitute, dollarwise, the largest component of Gross National Product. Remember that our population is 171 million and that we are getting the highest wages in our history, and by far the highest wages of any country in the world. Studies show that average wages in Europe, (which in turn, enjoys higher wages than other areas of the world) are about 40% U. S. wages. I am optimistic. Consumer expendtures should be up by more than $13 billion. Trade associations in the retail areas are projecting an increase of about 4%-5%, which would tie in with my dollar figure. We can measure probable consumer expenditures in relation to two major criteria. One is the ability to buy; the other is the willingness to buy. The ability of people to buy—and it shows up in actual consumer expenditures—is based on what is known as disposable income. It is what the public has left to spend after taxes. It is very interesting to note what happens to disposable income. Since 1948 it has gone from about $190 billion to a figure last year of $312 billion, which compared with $305 billion in 1957. Our estimate of disposable income this year is roughly $325 billion.

The second aspect is willingness to buy. It is quite apparent that, in view of the better psychology now, and with employment increasing and wages moving up, people are not as concerned about their jobs. Most probably they will spend a larger percentage in relation to the disposable income than they did last year. Savings last year were in excess of $20 billion. I think this year they will probably be in the same area, but the aggregate expenditures will go up. So you get quite a rosy picture on the consumer aspect. I want to make one other interesting point, and that is, in the three business readjustments we have had in the last decade consumer spending held. There is a very basic reason for this. Social security, unemployment insurance, the so-called transfer benefits the government gives, tend sharply to cushion the decline in consumer incomes. This has occurred in the face of some increase in unemployment.

Also, it is relevant to look at the employment figures. We hear a great deal about unemployment, and without question this is a concern of every American. We want to see people employed, but I think we make a grave error in concentrating on unemployment without sufficiently considering the level of employment. So, let's get this thing in perspective. Our work force today is 68½ million people. There are 64½ million people employed in these United States. There are about 4 million unemployed. Any reputable economist will tell you that frictional unemployment, people being sick, people transferring, and so on, is 3%-4% of the work force. So we have today a maximum unemployment of 2% over what would be the fullest possible employ-

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*An address by Mr. Weiss before the Annual Meeting of the Teacher Associations' Mutual Fund of California.

How and Where U. S. Exporters Will Sell Overseas in 1959

By WALTER H. DIAMOND*
Editor, McGraw-Hill "American Letter," and Director, Foreign Economic Department,
McGraw-Hill International Corp., New York City

Before analyzing, country by country, trading prospects for 51 international markets, Mr. Diamond opines on the probable effect of European Common Market, U. S. S. R. economic war, and international liquidity and tariff reduction measures pursued by U. S. A. on exports. Of the countries analyzed, the international trade expert believes our commercial exports will be up for 36 and down for 16, and concludes this indicates good profit opportunities exist. Considers Canada to be our best export market for 1959, estimates our exports to Latin America will drop about 10% to $3.8 billion, sees continued expansion of regional trading areas, such as Hague and Paris Clubs, encouraging the by-passing of U. S. goods in favor of European, and predicts disastrous Argentinian economic conditions will deteriorate further in 1959.

Despite the onset of the European Common Market and Russia's planned economic offensive to capture traditional markets from American exporters in 1959, United States foreign trade will increase in 1959. Dollar volume of America's commercial shipments abroad will be approximately $17.5 billion while imports should exceed $13 billion. These figures represent a 5% rise over the 1958 totals in the case of exports and 3% for imports.

Walter Diamond

Never before in the history of American foreign trade has the future course of overseas sales depended so much on two external elements as it will in 1959. In fact, the European Common Market and the Soviet economic offensive already have had a marked impact on the planning of U. S. foreign traders. Once the coordinated policies of the six Common Market countries are in full operation, about 35% of American exports to that area will be adversely affected.

A McGraw-Hill American Letter survey just completed reveals that the small exporter in the U. S. expects eventually to lose 80% of his present business to the Common Market nations. The loss for the medium-sized exporter will be 60% of his current shipments while the large corporation is more optimistic. Although the big company here anticipates a drop of 30% in actual exports from the U. S. before the 15-year experimental Euromarket period lapses, it is not worried about the long-term prospects.

By that time four out of five American corporations now shipping abroad will be manufacturing on the Continent of Europe either directly or through license. Not only do they believe their present sales will be protected, but they are convinced that the mass market of more than 200 million Europeans by 1975 will offer them far greater business profits.

The American Letter study also indicates that during this initial plant building period of three to four years U. S. exports to Western Europe will be up considerably. However, the American exporter is bound to face difficult times from competition within Euromarket between the fifth and fifteenth years before the objectives of a free trading area and a mass consumer market are attained.

U. S. S. R.'s Economic War

Khrushchev's declared "economic war" with the U. S. through dumping, barter, stepped-up financial aid and longer terms to the underdeveloped nations, particularly to the Latin Republics, will play a key part in American sales. In 1958 Moscow negotiated more than 40 bilateral trade pacts, bringing the total close to 200. By far the bulk of these were in Latin America, where for the first time Russia signed substantial barter deals for Argentine wheat and edible oils, Brazilian coffee and cocoa, Chilean copper, Colombian coffee and Uruguayan wool, as well as for other stable exports to the U. S.

The extent of the 1959 comeback in U. S. trade, following the 15% drop in commercial exports and 3% dip in imports in 1958, also depends upon the economic recovery in America. With a $465-billion gross national product estimated for 1959, it is probable that both exports and imports will be bolstered by greater world demand and higher prices for basic raw materials.

In 1958 the foreign trade slump leveled off around midyear and began to regain some of the loss in the last quarter. There is no doubt the uptrend will continue through most of 1959, although at a slow pace. Nevertheless, an export rate of $17.5 billion is a healthy base to maintain. It is nearly 4% of the gross national product and close to the second half rate of 1957 when exports rolled up the incredible all-time high of $19.5 billion.

Deteriorating credit conditions in Latin America resulting from Moscow's program to dump and barter commodities on world markets is one of the main reasons why the U. S. must look to other areas to expand future exports. American businessmen must count on another 10% drop in shipments to the Latin Republics in 1959, principally because of exchange shortages brought on by inability of the Republics to earn enough dollars from coffee, metals and other raw materials.

To offset these declining Latin markets, American business will have to depend on Western Europe to take up the slack in overseas sales. The rush of U. S. companies to set up distributing centers and arrange licensing agreements in the European Common Market will call for extensive American shipments of machinery and other heavy capital equipment. In addition, moderate economic expansion and rapidly growing consumer demand will help to bolster purchases.

Moreover, practically every Western European country has benefited from the $2 billion loss

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*An address by Mr. Diamond before the Int'l Affairs Dept. of Miami-Dade County Chamber of Commerce, Miami, Fla.

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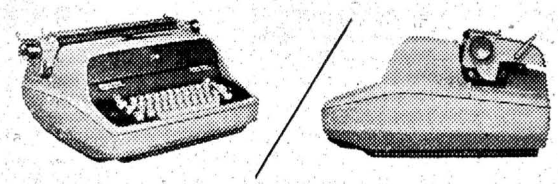

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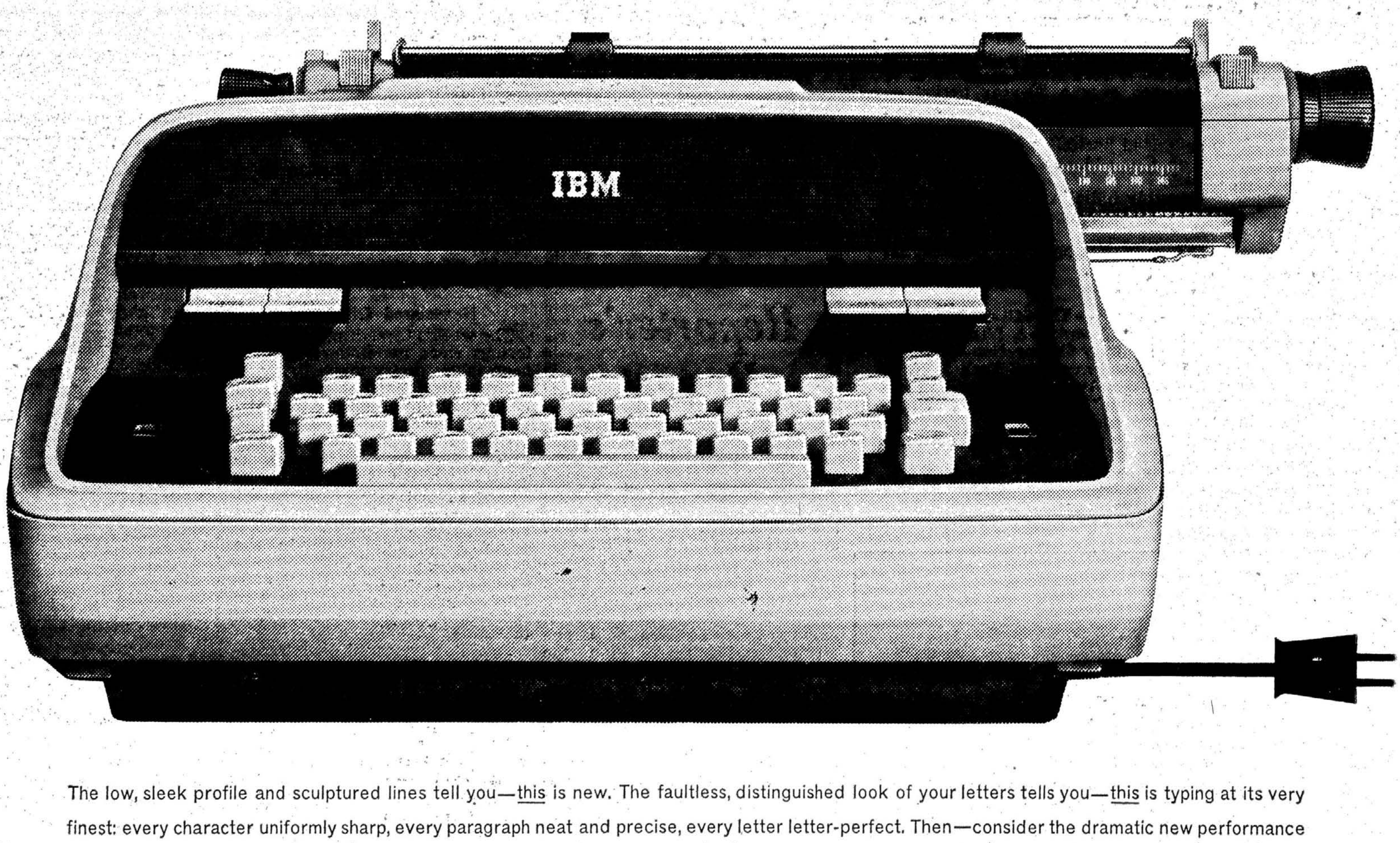

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Dealer-Broker Investment Recommendations & Literature

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

America's New Industries—Summary—George, O'Neill & Co., Inc., 30 Broad Street, New York 4, N. Y.

Atomic Letter No. 45—Commenting on effects of AEC grants to colleges and universities, on radiation instrument industry, and discusses **Salem Brosius, Inc.**—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.**

Canadian Business Review — Analysis of Canadian business trends—Bank of Montreal, Montreal, Que., Canada. Also available is a survey in laymen's language of the major Canadian taxes affecting business in Canada.

Cocoa—Report—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

Gold—Survey of gold market—Brewis & White Limited, 145 Yonge Street, Toronto, Ont., Canada.

Japanese Oil Industry—Discussion with particular reference to **Mitsubishi Oil Co., Showa Oil Co.** and **Maruzen Oil Co.**

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

Life Insurance Stocks—Bulletin—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Louisiana as a Natural Gas Source — Study — Boni, Watkins, Jason & Co., Inc., 37 Wall Street, New York 5, N. Y.

Metals 1959—Brochure—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a forecast for 1959 on **Oils, Natural Gas Producers** and **Construction Industry.**

Mining Stock Reorganizations for year ending December 1958 —Brochure—Draper Dobie and Company Limited, 25 Adelaide Street, West, Toronto, Canada.

New York City Bank Stocks—Year-end comparison and analysis of 13 New York City bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York Clearing House Banks—Comparative operating figures—M. A. Schapiro & Co., Inc., 1 Wall Street, New York 5, N. Y.

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 20-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Portfolios for 1959—Two suggested portfolios of Canadian securities—Ross, Knowles & Co. Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Toronto Stock Exchange—Monthly bulletin of trading data on all listed issues—Toronto Stock Exchange, Dept. E-3800, 234 Bay Street, Toronto, Ont., Canada.

Uranium—Annual review—John M. Easson & Co. Limited, 217 Bay Street, Toronto 1, Ont., Canada.

* * *

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

American Radiator & Standard Sanitary Corporation—Analysis —Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a study of **Bendix Aviation Corporation** and the current issue of "Pocket Guide" containing lists of suggested securities in various categories.

Armstrong Rubber Co.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Avon Products, Inc.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Beckman Instruments—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **Square D Company, Timken Roller Bearing,** and **Western Maryland.**

Beech Aircraft — Review — Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a report on **National Tea Company.**

Central Indiana Gas Co.—Memorandum—K. J. Brown & Co., 118 South Mulberry Street, Muncie, Ind.

Columbia Broadcasting System, Inc. — Analysis — Schweickart & Co., 29 Broadway, New York 6, N. Y.

Columbia Gas System — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **Atlantic Refining Co.**

Cook Coffee Company—Analysis—A. G. Becker & Co. Incorporated, 60 Broadway, New York 4, N. Y. Also available is a review of **Maine Public Service Co.**

Draper Corporation — Analysis — Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Drexel Furniture—Analysis—Woolrych, Currier & Carlsen, 233 A Street, San Diego 1, Calif.

Duffy Mott Company Inc.—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available are reports on **Hein-Werner Company, Mosinee Paper Mills Company and Waukesha Motor Company.**

Greater New Orleans Expressway Commission — Report — Greater New Orleans Expressway Commission, Court House, Gretna, La.

H. L. Green Company—Report—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are data on **Swift & Company, John Morrell & Co., Automatic Canteen, Pabst Brewing** and **Crane Company.**

Harris Intertype Corporation—Analysis—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

High Voltage Engineering Corp. — Memorandum — Shields & Company, 44 Wall Street, New York 5, N. Y.

International Resistance—Data—Oppenheimer, Neu & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **Harnischfeger.**

Interstate Securities Company — Analysis — Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

Meredith Publishing Company—Report—Stone & Webster Securities Corporation, 90 Broad Street, New York 4, N. Y.

Minneapolis Honeywell Regulator Co.—Analysis—Oscar Gruss & Son, 150 Broadway, New York 38, N. Y.

Monsanto Chemical Company — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York Capital Fund of Canada—Report—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Pigeon Hole Parking of Texas Inc.—Analysis—T. J. Feibleman & Co., Richards Building, New Orleans 12, La.

Puerto Rico—Special report on the Commonwealth—Government Development Bank for Puerto Rico, San Juan, P. R.

Pure Oil Company—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are analyses on **Lee Rubber & Tire** and **Stewart Warner Corp.**

Singer Manufacturing Co.—Memorandum—Walston & Co., Inc., 74 Wall Street, New York 5, N. Y.

Texas Eastern Transmission Corporation—Analysis—First California Company, 300 Montgomery Street, San Francisco 20, California.

Tri-Continental Corporation — Annual report — Tri-Continental Corporation, 65 Broadway, New York 6, N. Y.

Western States Refining Co.—Bulletin—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah.

Our Reporter's Report

The tendency in investment quarters is to look for a bit more levelling-off in the long-term market before prices and yields are definitely in an area that will attract institutional buyers.

Recent Washington dispatches indicating some people there think the Treasury may have to seek a lift in the ceiling on interest it may pay on its bonds, even though received with more than the usual grain of salt in market circles, has made for a bit of caution.

The government's fiscal agency is due to make known over the weekend its plans for rolling-over some $14 to $15 billion in securities now maturing. Best guessing around the market place is that it will avoid the use of any long-term obligations in the operation.

Some see the prospect for inclusion of an issue of three to five year notes probably bearing 4 to 4⅛% interest as a part of the impending refinancing offer. And they expect that such a plan would probably help to cut down the rate of attrition that might be expected in the long-term end of impending maturities.

Meanwhile the corporate market currently appears to be affording new issues a somewhat better reception than had been the case at the turn of the year. This week's offerings were reported to be going out nicely.

Negotiated Offerings

The week's three large-scale offerings were understood to have been taken pretty much in stride with indications that they could move easily to premiums over the offering prices.

Consolidated Edison Co.'s $59.6 million of convertible 4% debentures, brought out at $100 in the ratio of $100 of debentures for each 25 common shares held, was reported all-subscribed.

The same held true in the case of Inland Steel Co.'s $50 million of 4½% first mortgage, 30-year bonds which carried a price tag of par for an indicated yield of 4.50%.

Again it appeared that Transcontinental Gas Pipe Line Co.'s offering of $35 million of 5% first mortgage bonds, priced at 98.74 for a yield of 5.10%, found good reception. This issue also carried the eye-appeal of a 20-year maturity.

Week of Equities

The forthcoming week finds only a single debt issue, and that $15 million bonds of the Kingdom of Denmark, slated for marketing on Thursday, sandwiched in among a run of corporate equity operations.

On Tuesday, Bankers are slated to offer 2.9 million shares of Universal Oil Processes Inc., which will provide funds for the purchase from the trustee of capital stock of Universal Oil Products Co. being sold for the account of Petroleum Research Fund.

Wednesday is scheduled to bring to market 1,350,000 shares of common stock of Southern Co.

On Friday two more "rights" offerings, involving 795,000 shares of Connecticut Light & Power Co. and 280,000 shares of Rochester Gas & Electric Corp., are due to round out the week.

Looking further ahead, on Feb. 11 Reynolds Metals Co., is slated to market 550,000 shares of $100 preferred to raise funds to finance acquisition of stock of British Aluminum Co. Ltd.

Keeping Bids Close

Central Illinois Public Service Co.'s offering of $12,000,000 of bonds brought out some close bidding again.

The winning group paid the issuer a price of 100.88 for a 4¾% interest rate. The runners-up were close behind with a bid of 100.779 for the same interest rate.

This was an indicated spread of only about 10 cents per $100 of bonds, and upon reoffering, priced to yield 4.65%, the bonds were understood to have met good inquiry.

San Francisco Street Club Elects Officers

SAN FRANCISCO, Calif.—The Street Club of San Francisco announces officers and directors elected for 1959:

President: William C. Richardson, Davis, Skaggs & Co.

Vice-President: Herbert M. Hanson, Mitchum, Jones & Templeton.

Secretary: James B. Skinner, Schwabacher & Co.

Treasurer: Richard S. Miller, Davis, Skaggs & Co.

Directors: Grosvenor Farwell, Jr., Blyth & Co., Inc.; Sam H. Husbands, Jr., Dean Witter & Co., and Thomas W. Witter, Dean Witter & Co.

The Street Club was formed in 1948 as an association for the younger stock and bond men in the Francisco investment community. It functions as both a social and business organization with monthly luncheons addressed by guest speakers prominent in the business world or sometimes drawn from as diverse fields as entertainment and the professions. Present membership numbers about 80, with virtually every stock investment firm and bank in the San Francisco area represented.

Hartzmark Partner In Goodbody & Co.

CLEVELAND, Ohio—Goodbody & Co., members of the New York Stock Exchange and other leading security and commodity exchanges, announces that Joseph Hartzmark has been admitted to the firm as a general partner.


Joseph Hartzmark

A member of the Goodbody organization since 1939, Mr. Hartzmark has been manager of the firm's Cleveland office, National City East Sixth Building, and will continue there as resident partner.

Record High Corporate Earnings Projected

Chase Manhattan Bank bases forecast on assumption business recovery continues and costs are held in check.

If profit margins that prevailed in the latter part of 1958 continue, corporate earnings could rise to record heights in 1959, The Chase Manhattan Bank's bimonthly business report, **Business in Brief**, says in the current issue published Tuesday, Jan. 27.

"While statistics on profit margins for the fourth quarter are not available as yet," **Business in Brief** says, "it would appear that the ratio had recovered almost to the average level of the past five years. If such margins can be maintained, corporate earnings could possibly average $46-47 billion for the year 1959. This would mean a new record—but a level that could certainly be approached if the recovery in business continues and costs are held in line."

The Chase Manhattan report says that business activity has regained its previous high, with gross national product reaching a record $453 billion in the 1958 fourth quarter.

"However," **Business in Brief** adds, "ours is a growth economy. To meet the many demands pressing on the nation at home and abroad, we need to do more than regain past peaks. Actually, the economy has the potential to produce as much as $35 billion more than is now being turned out—and this ability grows almost $20 billion each year."

The bank's publication says that if enough strength develops to keep business moving ahead at a good pace in 1959, how to contain inflationary pressures could again become the number one domestic economic problem.

"To cope with inflation," the Chase Manhattan report says, "it would be necessary to secure public support of policies leading to an eventual surplus in the Federal budget, tight credit and restraint on the wage-price front."

New Hill Richards Office

ONTARIO, Cal.—Hill Richards & Co. has opened a branch office at 116 East Holt Boulevard under the management of James Hilbe.

T. J. Hicks Opens

HIGHLAND FALLS, N. Y. — Theodore J. Hicks is engaging in a securities business from offices at 201 Main Street.

Fred Kornfeld Opens

FRANKLIN SQUARE, N. Y. — Fred Kornfeld is conducting a securities business from offices at 600 Hewlett Street.

From Washington Ahead of the News

By CARLISLE BARGERON

The Republicans, meeting at Des Moines, decided to spend more money, build up their organization, get more colorful candidates, and enthuse the precinct workers.


Carlisle Bargeron

They have got to do more than this. In the matter of publicity, they have to give their publicity men something to write about. I can't imagine a more futile job than one of trying to publicity for the Republicans these days. Who do you write for—which wing of the party? The President is now trying to preserve his budget. Suppose the publicity men get behind this project and start to writing preservation of the budget. Well, they will offend at least 14 members of the Senate and no telling how many members of the House.

These men do not want any curtailment of spending. They want more money for defense, more for housing, more for slum clearance, and more for education, and more for national health.

When any one of these items come up separately, what is a poor press relations man to do. The President, of course, is supposed to be the boss and the safe thing for them to do would be to publicize his policies on these matters. But then they are doing one half of the party a disservice.

This writer worked at the Republican National Committee in 1943 and part of 1944. He tried to keep alive the idea that Roosevelt had led us into war. All the time, he would be having complaints that he was an isolationist. If this were true the compliments were coming from members who were interventionists. The writer was undoubtedly expressing the view of the majority members of the party, but his life was one of turmoil.

Let the matter of agriculture come up as it will at this session. A sizable number of Republicans in both Houses will be against the Administration bill. It will be doubtful, indeed, if the Republican leader, Senator Everett Dirksen, doesn't jump the fence on this one.

Senator Goldwater of Arizona, is eminently right when he says the party must stand for something, and all the others agree with him on this. But the trouble is stand for what.

There are those who say the Republicans must turn to the left and try to out-do the Democrats. At first blush, that would seem to be the correct thing. It certainly looks as if the votes are on that side. But if anybody thinks the country will buy an aping party he has another think coming. The only possible outcome of such a policy will be to push the Democrats farther to the left.

The only excuse for anyone voting Republican is because it is different from the Democratic party. Admittedly that has been costly, but there is nothing on the record to show that the Republicans would have been any better off if they tried to show they were just as liberal as the Democrats and could do it better. The facts are they can't.

In this writer's opinion the Republicans should unify as conservatives and then try a thorough educational process to convince the country they are right. They say they want to get out of the public mind that they are the image of big business. Instead of trying duck this picture, they should grasp it and make the most of it. Big business made this country. It is responsible for the millions that are employed; it is responsible for the many small businesses. The Republicans should work to sell this picture, not try to get away from it.

Admittedly they have a hard time doing this when there is a recession on such as there was last year. Because then big business was not delivering the goods. But in 1956 the workers of the country went for big business and Eisenhower in a big way.

A criticism that has been made of that campaign, because neither House nor Senate was carried by the Republicans, is that the Republicans campaigned almost exclusively for Eisenhower. They gave the impression they were running only one man, and that one man the country voted for.

But they won't be able to do anything until they get together and that seems in the far distance today. There have always been times when several Republicans jumped the traces on an Administration bill, but that was because of a peculiar back home situation. But they didn't advertise their bolt. It was something that was done individually. Now the dissidents insist on unifying and trying to name the leaders of the party.

The Present Farm Situation and Averting Oncoming Disaster

By HON. EZRA TAFT BENSON*
Secretary of Agriculture, Washington, D. C.

Misconceptions about farm supports, and the singular fact that the relatively few farmers who need the least help receive "practically all of the . . . price support outlays, are dealt with by country's agricultural chief executive in a fervent appeal to "complete our revision of the farm programs without delay." Mr. Benson refers to agriculture's past good year within net income *per farm* was 23% above 1957 and the highest since 1951; asserts our farm programs have become too costly; and pleads for less governmental intervention in our lives, economy and freedom.

Agriculture, industry, and finance are certainly not remote. Modern agriculture uses vast quantities of industrial goods. It requires great outlays of capital. The entire American economy is very closely tied together. All of us depend upon agriculture for our daily bread. Life itself would soon cease if agriculture ceased. But many, I am sure, find agriculture important to their economic interests also.

Ezra Taft Benson

Have you investments in the oil business? There are 12 million tractors, cars, and trucks on American farms. Agriculture buys more petroleum than any other industry—about 15 billion gallons a year.

Are you in steel? Farmers take 6½ million tons of finished steel a year.

Rubber? Agriculture buys enough raw rubber to put tires on nearly 6 million cars a year.

Transportation? 16% of the gross freight revenue is from agricultural products.

Chemicals? Fifty million tons a year.

Electricity? Agriculture uses more electric power than Chicago, Detroit, Houston, Baltimore, and Boston combined.

Foreign trade? About 20% of our exports consist of farm products.

Consumer goods? Rural America provides a big share of the American market.

Agriculture, in short, is a $40 billion market for the American economy.

Yes, agriculture, industry, and finance are closely interrelated.

Finds Past Year Good

I would like to begin by nailing down some rather important facts.

Here is Fact Number One. *Agriculture in general had a relatively good year in 1958.* The realized net income of farm operators reached $13 billion. That was 20% more than in 1957 and the highest since 1953.

On a per farm basis the comparison is still better—realized net income per farm averaged 23% above 1957 and was the highest since 1951.

On a per person basis—taking income from all sources—the picture is best of all. The average total income *per person* on farms reached an all-time high last year —$1,027 per person—4½% above the old record of 1951.

These figures, of course, are averages and averages can be deceiving. People have drowned in water that averaged only 10 inches deep.

Many individual farmers and groups of farmers have been, and are, economic islands in a sea of national prosperity.

*An address by Mr. Benson before the National Industrial Conference Board, New York City, Jan. 23, 1959.

Farm markets are burdened with surpluses of a few crops, created at least in part by unwise farm programs of the past. Agriculture in general feels the pinch of a price-cost squeeze. Farmers occupy a relatively poor bargaining position and they are exposed to innumerable economic hazards.

Nevertheless, on the average, 1958 was a relatively good year for U. S. farmers.

Improved Productivity

Fact Number Two. *The productivity of the American farmer is growing much faster than the productivity of American workers in general.* Since 1950, output per man-hour in nonagricultural industry has risen at a rate of about 2% per year. The increase in output per man-hour in agriculture has averaged 4½% per year.

Last year's output of crops alone was 11% larger than ever before. Total farm output—crops and livestock—was up 8%. This was nearly twice as big an increase in one year as we had in the entire decade of the 1920's. We had record production of 14 major crops, including corn, wheat, barley, soybeans, and grain sorghum. These crops represented about 95% of all acreage harvested last year. Thus we had record yields from almost all of our land.

What makes the 1958 production so impressive is the fact that this tremendous outpouring of farm crops was produced on the smallest planted acreage in the past 40 years. Production would have been even bigger without the Soil Bank.

Our yields per acre were 43% higher than the 1947-49 average of a decade ago.

Output per man-hour of farm work was 52% higher.

This is the agricultural technological revolution really in action. It shows how utterly futile it is to try to balance total production and demand through ineffective legislatively imposed production controls.

Free Commodities Do Best

Fact Number Three: *The commodities that have stayed free are in the best shape today.* Most of agriculture is free. Livestock is a good example. Livestock is not only the brightest part of the farm picture—it is the most expandable part of our farm market. Cattle, hog, and poultry producers have stayed free of supports and controls.

The average person eats about 50% more beef, about twice as much chicken, and 2½ times as much turkey meat as he did 20 years ago.

Citrus is another example. The average American now consumes 60% more citrus than he did 20 years ago. But he eats 26% less wheat flour and 15% less wheat cereals.

All six of the legislatively designated basic crops—wheat, cotton, corn, rice, peanuts, and tobacco—are in trouble today. These are the crops that have depended the most on supports and controls.

While we priced our products out of their old-time markets, competitors at home and abroad used our price umbrella to expand their production and move in. The result has been a piling up of surpluses followed by further cutbacks in our output.

Thirty years ago cotton was planted on close to 45 million acres of U. S. farm land. In 1958 producers planted less than 12½ million acres. And still we have a surplus. Our cotton used to hold 60% or more of the world market. Now, even with the aid of our heavily subsidized export programs, we hold only about 30% of the market.

The corn program was so unrealistic that last year only one corn acre out of eight was farmed in compliance with the program. The first time farmers had a real choice they chose freedom. Last November, corn producers by a majority of nearly 3 to 1 voted controls out altogether.

Our rice exports depend heavily on costly government programs.

We have the best quality tobacco in the world, but we have been pricing ourselves out of export markets. The world's largest tobacco market used to be in North Carolina. Now it's in southern Africa.

Farmers are producing more peanuts than consumers will buy at the prices at which peanuts for food must be supported—note I said *must be*—under the old obsolete law still on the books.

And wheat is our number one problem. *We cannot continue with the wheat program as it now exists.* Harvested wheat acreage has been cut by over 20 million acres since 1949—yet, under artificial pricing combined with good weather, we now have by far the greatest wheat surplus in all history.

By July, 1960, the carryover of wheat will be about 1½ billion bushels—enough to supply our normal domestic requirements for 2⅓ years. We will have $3½ billion tied up in wheat alone.

We have spread the wheat belt all over America. Wheat acreage has increased in areas of high cost, while acres have been cut back in areas where production is most efficient. This doesn't make sense.

Supports Are Now Too Costly

Fact Number Four: *The costs of farm price and income stabilization programs have risen dangerously high.*

By next July we will have over $9 billion of surplus farm commodities in government inventory and under loan. The cost of storage and interest on these government stocks will be $1 billion a year. This is fantastic and indefensible.

Farmers produce commercially about 250 farm crops. But most of our costs are for just three crops—wheat, cotton, and corn.

When our take-over from last year's crops is completed, the government will have acquired—since January, 1953—

- 25 million bales of cotton—more than twice as much as our total cotton crop last year.
- 2.7 *billion* bushels of corn—over 70% as much as the all-time record 1958 crop.
- 2.5 *billion* bushels of wheat—more than our 1957 and 1958 wheat crops combined.

That's what has resulted from clinging to outmoded, obsolete, ineffective price support and acreage control programs.

Expenditures of the Department of Agriculture this fiscal year are now estimated at $7.3 billion, of which about $5 billion are for programs for stabilization of farm prices and farm income. These expenditures, of course, do not benefit agriculture producers alone. Many of them have general benefits that are national and international in scope. It is unfair to our farmers to attribute all these expenditures as being for their benefit alone.

I'm referring to expenditures for food distribution programs and to foreign aid—and for Rural Electrification and Farmers Home Administration loans, which are repaid with interest. I refer also to such programs as research, meat inspection, disease and pest control, education, market development and services, protection of soil and water resources, and forest and public land management. These programs are of direct benefit to all our people. They should not be regarded as programs solely or even predominantly for the benefit of farmers. Yet the public is concerned, and rightly so, over the size of the budget for Agriculture.

The Deserved Aided the Least

Fact Number Five: *Our price support programs, even though originally designed with small family farms and low income farm people in mind, have resulted in huge expenditures for a few farm products produced primarily on a relatively few larger, mechanized farms.*

Two million farms, or 44%, produce 90% of the farm products marketed. More than 2½ million farms produce less than 10% of the products marketed.

Less than one-third of our farms account for by far the greater part of our price support outlays. A little over one-fourth of the cotton farms have three-fourths of the cotton acreage allotments. Two-fifths of the farms with wheat allotments have nine-tenths of the allotted acres.

Thus, relatively small numbers of farms—usually those with the highest income—account for practically all of the government price support outlays.

Fact Number Six: *We have made some progress toward sounder farm programs, but it has been limited and painfully slow.* Yes, we have made some progress toward sounder programs through the Agricultural Act of 1954—the Act of 1956—and last summer's Agricultural Act of 1958. But we still have only a small part of the program we asked for 6 years ago and that farmers need. Our recommended program really has never been put into operation. It has never been given a real try. That is why it has been necessary to devise and maintain such emergency programs as the Soil Bank and special surplus disposal operations.

And all this time the irreversible technological revolution in agriculture was gaining momentum.

That is why the surpluses have built up. That is why a few farm commodities still have serious problems.

If farmers had had more freedom—and less interference from government—their production adjustment over the years would have been more realistic—

- Farm markets would have been larger;
- Farm costs per unit of output could have been lower;
- Agriculture would be on a sounder basis;
- This fiscal year's agricultural budget would be smaller.

Our technicians estimate that even with the little legislation we have been able to get on price supports, we expanded markets and cut costs to taxpayers by a billion dollars in 1958.

These six facts that I have discussed are of the utmost importance to anyone who hopes to understand the present farm situation. They make certain conclusions vividly clear.

Calls for Immediate Revision

We must complete our revision of the farm programs without delay. It may be later than we think. Unless the needed changes are promptly made, disaster could result for the producers of some commodities. Wheat particularly is in an extremely critical position.

Either we must clamp down with more rigorous controls on wheat producers than we have ever had before—more controls than Congress has ever been willing to impose—or we must move toward market expansion and greater freedom to produce and compete.

More controls means stopping up the loopholes—increasing the penalty for overplanting—setting acreage and marketing quotas at levels that would balance supply and demand for wheat for dollars.

That is one approach—more controls—more regimentation.

Incidentally, if we followed the formula in the old law the national allotment for wheat this year would be zero—no wheat production at all.

A far better approach, I believe, would be to provide wheat growers with a program that moves toward freedom to produce and compete for markets.

Changes are needed for tobacco and peanuts also. As prices of U.S. tobacco increase, foreign buyers change their blends and turn to other sources of supply. The present laws require price supports at continually rising levels. Legislation is needed to permit adjustments in support levels.

For peanuts, too, the law should be changed so that growers can expand their markets.

The Agricultural Act of 1958 provided more freedom for producers of corn, cotton, and rice. Now we need prompt and effective action in behalf of producers of wheat, tobacco, and peanuts.

Our present costly farm programs contribute to unbalancing the budget. That is of utmost concern to every citizen. No nation can go on indefinitely living beyond its income.

The President this week submitted a balanced budget for the coming fiscal year—a budget that "will help prevent further increases in the cost of living and the hidden and unfair tax that inflation imposes on personal savings and incomes."

As the President said in his State of the Union message: "Inflation can be prevented. But this demands statesmanship on the part of business and labor leaders and of government at all levels."

Yes, it demands realism, in our approach to farm programs.

It is tremendously important not only for farm people but for all segments of the economy that we definitely reverse the trend toward more and more government in agriculture—the trend that we have been fighting against for the past six years.

If the voices of 20 million farm people in America could be crystallized into one voice, it would, I feel sure, demand more freedom for farmers.

That voice would say:

Give us more freedom to plant—so that we can run our farms efficiently.

Give us more freedom to market—so that we can increase our incomes.

Give us more freedom to meet our competition—so that we can expand our markets.

Give us more freedom from government interference—so that we may again be independent and self-reliant.

Over a century ago the French philosopher and historian De Tocqueville, who knew so well the conditions of this country, wrote: "Democracy and socialism have nothing in common except one word—equality. But notice the difference, while democracy seeks equality in liberty, socialism seeks equality in restraint."

Government's Growth

Today, the scope and variety of governmental operations have become amazingly wide. We are touched by government from before we are born until after we die. Government impinges on our lives every hour of the day and night.

Most of these governmental activities are helpful in greater or lesser degree. But we must face the central problem of just how much of our lives, of our freedom, of our economy, and of our society we want to entrust to government.

We have seen in the past quarter century a tremendous shift from individual to governmental responsibility—and from local and State responsibility to the Federal Government.

Is government going to get bigger and bigger and still bigger? Are we going to turn still more of our freedom, of our economy, of our society over to centralized government?

We must *not* do this. Deep in their hearts the American people know that great concentration of power is a dangerous thing. Once power is concentrated, even for helpful purposes, it is all there, in one package, where it can be grabbed by those who may be evil in its use.

Our people must remain free. Our economy must remain free. Our society must remain free. Free of excessive governmental paternalism, regimentation, and control.

As a nation, we are strong. With the freedom of economic enterprise that we possess, we have been able to produce about as much industrial goods as all the rest of the world combined—even though we are only 6% of the world's people and have only 6% of the world's land.

These abundant blessings have come to us through an economic system which rests largely on three pillars:

(1) Free enterprise—the right to venture—to choose.

(2) Private property—the right to own.

(3) A market economy—the right to exchange.

Working together, we can maintain the strength of these pillars—we *must!*

I thank God that our people are becoming aware of the dangers that lurk in an agriculture—and an economy—that depend too much on government. Gradually they are learning that basic American beliefs, principles, and attitudes are threatened today as never before.

Threat to Freedoms

By whom are they threatened?

By the uninformed;
By the self-seekers;
By the subversives;
By the disinterested.

Yes, our freedoms are threatened by well-meaning but *uninformed* people who see the shortcomings of our economic system and believe they can legislate them out of existence. They try to reach the promised land by passing laws. They do not understand our economic system. They would load it down with burdens it was never intended to carry. As their schemes begin to break down, more and more controls must be applied. Patch is placed upon patch, regulation is added to regulation until ultimately freedom is lost—lost without our desiring to lose it and without our knowing why or how it was lost.

Our heritage of freedom is threatened by another group—*self-seekers*. They are men who see in government legislation a way to obtain special privilege for themselves or to restrain their competitors. They use demagogy as a smokescreen to deceive. They have no love for freedom or enterprise. They would bargain away their birthright for a mess of pottage. They would learn the value of freedom only after it was gone. To one who lived among people in nations where freedom no longer exists, this is an alternative too horrible to contemplate.

A third, and much smaller *subversive* group is dedicated to the overthrow of the economic and social system that is our tradition. Their philosophy does not stem from our Founding Fathers. It is a philosophy foreign to our shores. These men understand our system thoroughly—and they hate it thoroughly, too.

They owe their allegiance to another land, another government. They profess no allegiance to God, nor to any moral code. The make unwitting allies of the uninformed. They rationalize the worst motives of the self-seekers. They thrive in direct proportion to the amount of class hatred they can create. They are wolves in sheep's clothing.

They have left their mark on this land.

They work 24 hours a day. They speak glibly of ultimate victory.

Lastly, a fourth group has developed, perhaps the largest of all. These are the disinterested, that great group of otherwise intelligent people who shrug off any responsibility for public affairs.

Edmund Burke once said, "All that is necessary for the forces of evil to win in the world is for enough good men to do nothing."

Yes, freedom can be killed by neglect as well as by direct attacks.

Too long have too many Americans stood by as silent accessories to the crimes of assault against freedom—assault against the traditions which made this nation a land choice among all others on earth.

This is not only the farmers' battle to be free. This is *your* battle—the battle of *everyone* who believes in individual enterprise rather than super-bureaucrats. I am convinced that businessmen and their organizations should be as fully active politically as any other organization.

We must stand up and be counted for what we believe.

Let us remember that we are a prosperous people today because of a free enterprise system founded on spiritual, not material values. It is founded on freedom of choice—free agency—an eternal God-given principle.

We must keep America strong—strong economically, strong socially, but above all, spiritually strong—so that our way of life may endure. This is your challenge and mine—a challenge to every American no matter who or what he may be. "God grants liberty only to those who love it and are always ready to guard and defend it."

Let us here today rededicate ourselves to this noble end—to keeping our nation strong and free. Let us firmly resist every move to socialize and regiment our lives. Let us stand up and speak out.

If we achieve this—and we *must*—and we *will* with the help of Almighty God—we shall have done our small part to preserve the principles upon which this choice land was founded.

God grant that we may remain ever mindful of our heritage and our duty.

Hopkins, Harbach Co. To Admit to Firm

LOS ANGELES, Calif. — Hopkins, Harbach & Co., 609 South Grand Avenue, members of the New York and Pacific Coast Stock Exchanges, on Feb. 5 will admit D. Roger Hopkins, III, to partnership.

With Robert C. Kerr

(Special to THE FINANCIAL CHRONICLE)

INDIAN ORCHARD, Mass.—Primo Eucalyptus is now with Robert C. Kerr & Co., 103 Essex Street.

"Fresh Looks" at Many Things Needed!

"Although the government has many programs that affect prices and costs—including, of course, procurement—there is now no central mechanism for following their current operations to see whether they are being conducted, in so far as possible, in line with the need for reasonable stability of prices and costs. This newly established committee (special cabinet committee on activities affecting prices and costs) will provide such a mechanism.

Pres. Eisenhower

"Each of the programs covered by this order operates under its own law and regulations, and each was set up for a specific purpose. What is needed today is a fresh look at how they are operating in the light of modern-day economic problems.

"We need to make sure that we are not contributing to the nation's inflationary problems by the way in which we run our own government business."—President Dwight D. Eisenhower.

Much more than "the way in which we run our own government business" needs a "fresh look."

Coffee & Sugar Exchange Appoints Board Members

The New York Coffee and Sugar Exchange, Inc. has elected two new members to the Board of Managers to serve a two-year term during 1959 and 1960, it has been announced by Charles S. Lowry, President.

They are Arthur A. Anisansel, Vice-President and director of Imperial Commodities Corp., importers and exporters, and J. A. Higgons, Jr., senior partner of J. A. Higgons & Son, sugar brokers. Mr. Higgons is former Executive Vice-President of the National Association of Commodity Exchanges.

The two members succeed Charles J. Meono and Charles F. Slover who have retired from the Board.

How High the Stock Market And the Investment Outlook

By REUBEN THORSON*
Senior Partner, Paine, Webber, Jackson & Curtis
Chicago, Illinois

Securities dealer offers several reasons supporting belief: (1) high-multiple stock prices will continue relatively firm and lower yields will remain for sometime; (2) "temperamental" fluctuations will occur at these high market levels; and (3) paradoxical simultaneous fear of inflation and confidence in economy's future is primary motivation for equity-ownership. Mr. Thorson admonishes against reliance upon averages, and specifies industries apt to show particular promise.

During the past year we have witnessed a rare phenomenon; a steady and persistent stock market rise with scarcely any interruption, save for a few weeks in April and a few days now and then.

Reuben Thorson

Based on the commonly accepted Dow-Jones Average, consisting of 30 industrial stocks, the market rose from 436.89 low, to 583.65, where it closed the year. This was an increase of 34%. The Standard & Poor's Index of 425 industrial stocks, considered by many a better barometer, rose from 43.20 to 58.97, or about the same. Averages in themselves can sometimes be misleading. Recently, a market analyst pointed out that if American Telephone had not been substituted for IBM in the Dow Average in 1939, that average would now stand at about 1,800, instead of at the recent level of 590.

It is my opinion that we perhaps all pay too much attention to what the averages are doing from day to day and I have no doubt that they frequently cause hasty decisions which the person who is moved by this impulse often regrets. We hear more and more often today that, "It's more a market of stocks than of the stock market." If a person makes a well-chosen purchase in a security because he is confident of the management and the longer-term prospects of the company, he should if possible, try to detach himself from the influence of the averages. Loss of a well-conceived investment position in a stock is one of the most common regrets that a shareholder can have.

How High the Market?

A year ago prices had been declining sharply and our big challenge was to determine whether recovery was near at hand; hence, whether prices at that level would hold or advance. Today, the challenge is reversed and many are asking if securities prices have not gotten too far ahead of business recovery and earnings prospects.

The answer is made somewhat easier by the knowledge that in 12 months the Dow-Jones Industrials have risen 34%. Normally, stock market prices advance a great deal more than this amount from the bottom of a recession before the top is reached in the succeeding bull market. Thus, the percentages would seem to be in favor of a further rise.

As I look at it, the outlook for the next two or three years, barring war, is for major further gain in earning power of the companies which are well adapted to these changing times. With such prospects, and there are many who share this view, it is hard to believe that prices will drop seriously while waiting for earnings to catch up.

But, as many have noted, the upturn in average prices started four to five months before the upturn in general business, and the rise in average prices has been at a faster rate than the rise in general business or earning power.

General improvement in dividends has started only recently. Moreover, it is as true now as ever, that the ultimate support of all equity prices is the yield from dividends. Admittedly, the yield from dividends is extraordinarily low today. Why, then, should we not anticipate a substantial downward "correction" in prices during the period needed for rising business volume to create rising earnings and these, in turn, to create higher dividends?

Submits Reasons for Firm Prices

I believe that prices will remain relatively firm for several reasons:

(1) Foremost is the mildness of the '57-'58 recession — 13 years after World War II. This third recession in the postwar period seems to have convinced many investors that we have developed safeguards for controlling recessions and for maintaining relatively full employment. There is danger in this philosophy, as we all know; nevertheless, it does exist.

(2) This conviction, plus the belief that our real danger is inflation—not deflation—has created new areas of demand for stocks from institutional investors; such as pension funds, insurance companies, mutual funds and trust companies.

(3) The above factors, combined with the growing belief that quality stocks combine:

(a) The safest form of investment with the only adequate hedge against inflation and

(b) The only hope for increasing one's estate without toil.

Taken together, the above changes in the public attitude toward stocks has greatly enlarged the demand for them during a period when strong forces have tended to restrict the supply of good stocks. Biggest of these factors is the government's policy of encouraging debt financing by corporations by treating interest charges as a deductible cost of doing business, while there is no comparable tax credit for dividends paid out.

More and more is being said these days about the diminishing supply of quality stocks. This has been a pet theory of mine for a long time and, I think, represents one of the most important factors creating the strong volatility which exists in our market today. When I entered the business, a large proportion of those interested in the stock market had a highly speculative approach to it. Margins were 10, 15 and 20%. Today, margins are 90% and practically all shareholders own their stock outright.

The present value of all listed stocks on the New York Stock Exchange today is about $265 billion. The amount owing brokers is currently about $3 billion 400 million, or 1.3%. In other words, stocks are what we call "in strong hands" and are unlikely to be disturbed by a minor interruption to the trend.

It must also be borne in mind that once securities reach the Exchange, they have all been sold and are owned and the mere exchange of these shares from one owner to another creates no new capital. Now, if most of these stocks are locked up in boxes and the floating supply is narrow, the impact of new demand is readily expressed in higher prices.

The rate of turnover in 1957 for 10 of the most popular companies on the Exchange, with shares representing 18% of all shares listed, was only 3.3%. In other words, 96.5% of the shares of those companies were not traded in an entire year. With a strong resurgence of confidence, combined with an ever broadening interest on the part of individuals and institutions in acquiring equities, you can readily see what effect this demand exerts on the price level.

There is another contributing case which argues for continued retention of well-bought purchases and that is the Capital Gains Tax. A man has bought a stock at 30 and has held it over a period of time and, let us say, it is now selling at 60. If he for some reason desires to sell, he is immediately subjected to a capital levy of 25% of his profits. He is reluctant to take this action, even though he recognizes that the market may decline somewhat because the decline must be very substantial before he can repurchase the same stock and allow for his tax liability. Thus, the two factors: The public now owning stocks outright and on a cash basis, combined with a high capital gains tax, has tended more and more to freeze the supply, particularly of the high quality issues.

Thus, the remarkable revival in stock prices—bringing them to a high-multiple times earnings and low-yield basis ahead of full business recovery is not simply a change in the mood of the markets —a change from pessimism to optimism. It includes a basic change in the ratio between the supply of good stocks and the demand for them—the kind of change which lifts the price of any commodity in a free market.

Continued High Price-Low Yield Level

If we assume that these conditions will tend to persist in the years ahead, it would seem that high-multiple stock prices and lower yields will be with us for sometime. In other words, I believe we are now witnessing in the whole market for quality stocks what happens in the market for an individual stock whenever it moves up to a higher rating with the investment public.

Of course, there will be "temperamental" fluctuations at these high stock market levels just as there are fluctuations in the market value of high-level individual stocks like IBM and Minnesota Mining & Manufacturing. Beyond that, the only major risks I see for diversified investors are those inherent in the international situation.

I hope that my discussion up to this point has not been too technical and that I have not presented too many statistics but, in summary, I would like to give in the simplest terms what I regard as the primary motivation in the strong desire for common stock ownership; that is, that the long term history of common stocks in a dynamic economy is good.

The Cowles Commission Study, made some years ago, indicates that all common stocks listed on the Stock Exchange average 5.3% in dividends and had an annual average appreciation of 3.1%, or a total of 8.4% over a 60 year period. When it is realized that the cost of living index since the turn of the century has risen slightly less than 3% per annum, the importance in owning equities whose capital values alone have risen slightly more than that becomes apparent.

Paradoxical Fear of Inflation and Confidence

Aside from the foregoing, we have been witnessing, in my opinion, a paradox—a strong rising trend, based on fear and confidence simultaneously; fear of inflation and confidence in the future of American industry. The subject of inflation is one on which I will not dwell, but it is sufficient for me to point out to you that the dollar of 1939 has today, in terms of purchasing power, a value of 48 cents.

Certainly, we all expect that the growth of our dynamic economy will continue in the years ahead.

Promising Industries

It seems to me that the industries with particular promise in 1959 should include the drug, electronic, office equipment, cement, aluminum and food retailing. Others which appear to have improving prospects are automotive, including rubber, building materials, petroleum and specialties in paper and glass. The airlines should have better days ahead, as should the packing companies. Utilities stocks continue to give an excellent performance and I believe have a place in every investment portfolio.

*From a talk by Mr. Thorson before Investment Outlook for 1959 meeting, Minneapolis, Minn., Jan. 16, 1959.

Forms Estate Planning

PITTSBURGH, Pa.—A. Edward D'Emilio is conducting a securities business from offices in the Frick Building under the firm name of Estate Planning Associates.

With M. P. Giessing

(Special to THE FINANCIAL CHRONICLE)

FARMINGTON, Mo. — Thelma B. Marler has become connected with M. P. Giessing & Co., 108 North Jefferson Street.

Krakowsky Opens Office

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Morris Krakowsky is conducting a securities business from offices at 232 South Beverly Drive.

With Morton, Hall

LEWISTON, Maine — Reginald H. Letourneau is now with Morton, Hall & Rounds, Inc., 226 Main Street.

Donohue & White Opens

Donohue & White is engaging in a securities business from offices at 1631 Grand Central Terminal Building, New York City. Joseph G. Donohue is a principal of the firm.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

As time passes, it becomes more likely that Congress will come up with some additional tax on the life insurance companies. The companies are concerned because of the possibility that, if new legislation is not enacted, the carriers will be put back on the basis of the law that was in effect in 1942, and in this case it is estimated that the tax take will jump from about $290 million to $500 million. Some of the companies are spelling out the unfavorable prospect in literature sent out with premium notices.

The appropriate Congressional Committee has been holding hearings on the subject, and, to quote the "Wall Street Journal," if the bill now being considered is enacted, the stock companies would be assessed about 32% of the industry's total Federal tax bill, versus the 26% they have been paying under the stop-gap arrangement. The mutuals will be better served, for their proportion would drop from 74% to 68%.

The price action of the stock companies seems to say that the prospect of a bigger tax bill has been discounted.

* * *

Announcement has been made that about 95% of the stock of **Boston's Columbian National Life Insurance Company** has assented to the merger with **Hartford Fire**, among our largest stock groups. There continue to be announcements of mergers in which fire-casualty companies of fleets take over life writers; a few instances in which the reverse action takes place. Probably the chief reason has been the sharp expansion of business written by the life companies since the end of the war.

For example, total coverage of life in 1958 has been estimated by Alfred M. Best Company at over $65 billion, down some $1,-200,000,000 from 1957. This is a stupendous sum, when piled on top of the present insurance in force, and it is no wonder that the fire-casualty writers want to participate in such a volume of business if possible.

An added incentive to having a life department as an adjunct to the fire-casualty is the fact that the latter lines have had such rough going in underwriting for several years; the addition of some life business, particularly in an era when longevity is so much more in the insurance company's favor, tends to smooth out the year-to-year results.

Finally, there is the matter of the agency plant. Many fire-casualty companies have large agency plants (examples, Hartford Fire 14,000; Insurance Co. of North America 20,000; Home Insurance 40,000; Phoenix 13,000; Continental Casualty over 28,000). Many of these can add life coverage to their other lines and in times such as these with the heavy volume "sweeten" up their commissions.

One factor of consequence in the matter of adding life writers is that much trouble and expense is avoided when an existing life unit is absorbed, over the matter of setting up a new life department to start from scratch. Relatively few mergers are based on the latter procedure; many more have chosen to absorb existing life companies.

Before leaving the lifes, we are intrigued by the numerous accident and health and hospitalization coverages being brought out. The newest, Continental Casualty's, covers hospital and surgical needs. This company faired extremely well when it set up a polio policy and had relatively few claims several years ago. The new effort apparently counts on volume, for it applies to those persons 65 and over. It was tried out in several Western states, and now in several around New York. It's good to see this aggressive approach for new business.

* * *

Fire losses have started again to mount. How much of this move will take place we cannot now say; but the severity of the recurrent cold waves is not a good sign. Also the flooding in Ohio and Pennsylvania has been an indirect cause of heavy fire losses in several cities. It is well that notes of increased rates continue to come in, for long-term they will act as offsets to the burnings.

* * *

Insurance stock markets continue to do well. Using Best's Index, prices were 43% higher at the end of 1958 than a year earlier, and about 52% above the low of 1957, in October.

In the January issue of "Best's Insurance News" an interesting tabulation gives year-end prices of a long list of fire-casualty insurance issues, with percentage changes from year to year. For the ten years through 1958, **Continental Casualty** carries off the laurels, with a gain of 640%. Who can argue that this doesn't put this stock in the class of "growth" stocks!

Dallas Union Secs New NYSE Member

DALLAS, Tex. — Dallas Union Securities Co., Inc., Adolphus Tower, announces that it has become a member corporation of the New York Stock Exchange.

Officers of the firm are T. H. Obenchain, President; B. Franklin Houston, Dick Clark, Jr., James C. Owens and Jack C. Payne, Vice-Presidents; Jack P. Brown, Vice-President and Secretary-Treasurer; and Philip L. Hendrix, Assistant Secretary-Assistant Treasurer.

Herbert M. Jones and J. Ries Bambenek are also principals of the firm.

Jones Heads L. A. Div. of Coast Exch.

William H. Jones, President of Wm. H. Jones & Co., was elected Chairman of the Governing Board of the Los Angeles Division of Pacific Coast Stock Exchange for the year 1959, at the annual membership meeting of the Division.

William H. Jones

Elected to the Governing Board for three year terms were McClarty Harbison, partner of Harbison & Henderson, Frank F. Hargear, partner, Sutro & Co., and George W. Weedon, partner of Crowell, Weeden & Co. J. Earle Jardine, Jr., partner, William R. Staats & Co., was elected to a two year term on the Governing Board, and Brian F. Neary, partner of Neary, Purcell & Co., was elected to fill a one year term on the Governing Board.

The remainder of the Governing Board of the Los Angeles Division is composed of C. Jerome Cable, partner, J. A. Hogle & Co., D. Roger Hopkins, partner, Hopkins, Harbach & Co.; P. J. Shrospshire, partner, Mitchum, Jones & Templeton; and Stevens Manning, partner, Paine, Webber, Jackson & Curtis.

Mr. Jones, Vice-Chairman of the Division Board last year has been a member of the Exchange since 1938, and has previously served two three year terms as Governor. He has been active in the banking and securities business in Los Angeles since 1923, organizing his own firm of Wm. H. Jones in 1938. Mr. Jones is a member of the Los Angeles Athletic, California and Lincoln Clubs.

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership in the Exchange:

James R. Cruttenden, Cruttenden, Podesta & Co., Chicago, Ill.; John D. Kipp, A. G. Becker & Co., Chicago, Ill.; Joseph H. McFayden, The National Co. of Omaha, Omaha, Neb.; and George R. Torrey, McCormick & Co., Chicago, Illinois.

New Walston Branch

SALEM, Oreg.—Walston & Co., Inc. has opened a branch office at 115 High Street, N. E., under the management of John A. Goffrier.

With Robinson-Humphrey

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Harry M. Boon, Jr. and John F. Langan are now connected with The Robinson-Humphrey Company, Rhodes-Haverty Building.

Norris Roy Crump Named Director

Norris Roy Crump, President and Director of the Canadian Pacific Railway Company, has been elected to the boards of directors of Canadian Fund, Inc. and Canadian Investment Fund, mutual funds, under the management of Calvin Bullock, Ltd., it is announced by Hugh Bullock, President.

Investors Continental

Investors Continental Service, Ltd. is engaging in a securities business from offices at 510 Madison Avenue, New York City.

Joins Julien Collins

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John C. Haley has joined the staff of Julien Collins & Company, 105 South La Salle Street, members of the Midwest Stock Exchange.

New Siegler Office

SUNDUSKY, Ohio — Edw. N. Siegler & Co. has opened a branch office in the Western Securities Building under the management of Harry Krohngold.

Joins J. G. Sessler

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter J. Zawacki has joined the staff of John G. Sessler Company, 10 Post Office Square.

When Wage Inflation Causes Price Inflation

By DR. JULES BACKMAN*
Professor of Economics, New York University, New York City

Based on material from a forthcoming book, Dr. Backman singles out principal criteria guiding the setting of a wage, and analyzes the relationship between wages and inflation. The economist concludes wage increases have contributed significantly to consumer price index rise in recent years. He notes that (1) wage inflation takes its toll in rising prices, lower profit margins, or unemployment; (2) labor cannot escape the toll entirely; and (3) we cannot accept even creeping inflation as a way of life because it would adversely affect future economic growth. Issues the warning that creeping inflation can change into galloping and then runaway inflation, and urges vigorous action to stem all forms of inflation, whether fiscal, monetary or wage.

While economists debate various refinements to a theory of wages or attempt to evolve new theories, businessmen and labor unions must go about the business of reaching bargains over wages and various non-wage benefits. Their actions, in time, will have an impact on theory, and vice versa. In the meantime, they face the annual, biennial, or triennial problem of reaching agreement on a new contract.

Jules Backman

What determines the maximum increases that management will pay? Or the minimum decreases it will accept? What determines the minimum advances acceptable to the unions? The factors considered usually are referred to as wage criteria. They are divided into six categories: economic environment, wage comparisons, cost of living, workers' budgets, productivity, and ability to pay.

When times are prosperous management is usually willing to grant — and the unions to insist upon—larger increases than when economic conditions are unfavorable. Increases in the cost of living mean a reduction in the worker's level of living and its restoration becomes a minimum objective to workers, with management usually taking a sympathetic position. When the cost of living declines, on the other hand, the unions tend to ignore this criterion. Workers' budgets often are referred to but they are not given much weight except in connection with minimum wages under some conditions.

Wage comparisons assume major proportions to both parties in many industries and labor markets. Wage leadership and follow-the-leader is an important factor in collective bargaining. Productivity has emerged as an important factor in the post-World War II period. Ability to pay is emphasized by unions in good times but inability to pay is ignored by them in favor of more helpful criteria. And, of course, management is in the opposite corner in its attitudes toward the proper use of this criterion.

One *caveat* is in order. These criteria cannot be fed into a computing machine which will then yield the correct answer to a particular wage problem. However, they do provide a framework of reference, usually a relatively narrow zone of tolerance, within which the final agreement will fall. Accordingly, it is important that both labor and management understand fully the economic implications of these wage criteria.

When the parties cannot reach agreement and the issue is turned over to an arbitrator or a fact-finding board, then the wage criteria provide the meaningful framework within which a recommendation can be made. Any review of the decisions of these third parties will reveal the heavy emphasis they place on one or more of the six wage criteria. This is further evidence of the importance that must be attached to them.

The increase in wages and in other employment costs in excess of the gains in output per manhour, with the accompanying rise in unit labor costs, has been called wage inflation. While the labor unions deny that we have had wage inflation, its existence and the role of the unions in creating it have been recognized by a growing number of economists. Included in this group are such respected authorities as John M. Clark, Gottfried Haberler, F. A. von Hayek, Sumner Slichter, and Neil H. Jacoby.[1]

Effects of Wage Inflation

Whether or not wage inflation will be converted into price inflation depends in part on the relative importance of wages in the sales dollar, the trends in other costs, the strength of demand, and other factors. Thus, where labor costs account for a small percentage of total sales revenues, the pressure on prices of the rise in labor costs will tend to be small. Where labor costs are a large percentage of the sales price, the price effects tend to be more significant.

When unit labor costs rise, a company is faced with one or more of three alternatives: (1) prices can be raised; or (2) profit margins are narrowed, and/or (3) other costs can be reduced. Since labor costs, direct and indirect, often are the most important costs, programs to reduce costs usually result in a rise in unemployment.

The effects or combination of effects which develop depend upon the general trends in the economy. During periods of economic expansion, it is probable that the rise in unit labor costs will lead to a rise in prices and possibly to some shading of the margin of profits. This is what happened during the 1955 - 57 boom.

During a period of stable or declining business activity, it will be more difficult, and in many instances impossible, to pass on a rise in unit labor costs in the form of higher prices. Rather, the tendency would be to reduce profit margins and/or to cut costs with the resulting increase in unemployment. This is what happened in 1958.

These effects are unavoidable as a matter of simple arithmetic. Unless a company can recover its higher costs by increasing its revenues, it must reduce its profit margin or cut its costs or some combination of both. It is true, of course, that under some circumstances, increases in volume may be of such magnitude that overhead costs per unit decline enough to offset in whole or in part an increase in unit labor costs. While such a situation might develop during a period of boom, it obviously cannot develop generally during a period of recession since one of the main characteristics of such a period is a decline in total volume with the consequent rise in unit overhead costs.

The interrelationship between wage inflation and other types of inflation has been summarized by Dr. Arthur F. Burns as follows:

"When demand presses hard on a nation's stock of physical resources, costs of production and prices cannot remain stable. If incomes or both prices and incomes are expected to move still higher, the impulses of expanding demand are again strengthened all around. There can be little doubt that such expectations have ruled over a great part of the postwar period, or that *the ability of trade unions to win wage increases which substantially exceed the increases that have been occurring in general industrial productivity did much to kindle and fan the expectations of rising prices and incomes.* Thus, expanding demand served to pull up both prices and wages, while rising wages served to push up both demand and prices."[2] (Italics added.)

When wage inflation occurs simultaneously with monetary inflation, it reinforces the tendency for prices to rise. When wage inflation occurs without the support of monetary inflation, the price effects are less certain and the probability of some increase in unemployment and some reduction in profit margins is greater.

Productivity Versus Output Per Manpower

In wage negotiations emphasis is given primarily to output per manhour rather than to productivity, broadly conceived. Productivity reflects the relationship between all the inputs of factors of production—labor, land, capital and entrepreneurs — and the resulting output. This relationship has been described as "total factor productivity" in order to indicate its all-inclusive nature.

Although gains in productivity arise from the contributions of all of the factors of production, they usually have been stated in terms of output per manhour. This figure does not in any way measure labor's efficiency or labor's net contribution to production. All that such a figure shows is the total physical volume of production arising from the combination of manpower, tool power, materials, etc., as compared with one variable factor, the hours worked or paid for. In some estimates, only production worker manhours are used, while in others, output is related to all manhours, whether those of the janitor or the president of the company. Clearly the output per manhour data should be calculated on the basis of **all** manhours if a complete picture is to be obtained.

We use manhours because the data are homogeneous, are more easily measured, and are common to all industry. This is in contrast to the diverse nature of machines and equipment. One observer has noted it is "expedient" to use manhours. The final figure, labeled "output per manhour," reflects the contribution to production made by factors other than labor.

Total Labor Costs Are Proper Comparative

Comparisons usually are made between changes in average hourly earnings and output per manhour. Because of the widespread introduction of non-wage benefits[3] in recent years, however, it is desirable to use a concept of labor costs which is broader than average hourly earnings. It should be noted that some of the non-wage benefits **are** reflected in the data for average hourly earnings. Included in this category are paid vacations, paid holidays, shift differentials, paid lunch periods, paid rest periods, travel time, and call-in pay. For these items, both the hours paid for and the amounts paid are included in determining average hourly earnings. When hours paid for are also used in calculating output per manhour, these types of benefits do not create distortions in the labor cost-output per manhour comparisons. However, when output per manhour is determined by using hours actually worked, then the hourly earnings data must be similarly calculated.

A number of important non-wage benefits are not reflected in average hourly earnings. Excluded are such outlays as payments for pensions, insurance, health and welfare, social security, and workmen's compensation. A study of 1,020 companies showed that in 1957 these payments accounted for 10.2% of their total payrolls.[4]

Clearly, the labor cost-output per manhour comparisons may be significantly affected by the inclusion or exclusion of non-wage benefits in many key industries. Since many of these non-wage benefits have become relatively important only in recent years, longer - term comparisons, which often are the significant ones, may be distorted by the failure to include these items in the total labor bill. Long-term changes in outlays for labor which exclude non-wage benefits thus tend to understate the relative rise in labor costs.

Real Wages, Output Per Manhour, and Wage Inflation

It is sometimes stated that wage increases have not caused any inflationary pressure on prices because *real wages* have risen about in line with output per manhour. According to this line of reasoning, it is improper to compare money wages which are measured in dollars with output per manhour which is measured in physical units.

An illustration of this point of view was contained in the questionnaire sent out by the Joint Economic Committee, Subcommittee on Economic Stabilization. Question 3C was as follows: "Do you believe that in recent years rising prices have resulted in significant part from a tendency of *real wage* increases to exceed the rise of productivity?

This approach begs the question. Higher real wages reflect the combined results of rising output per manhour *and* rising prices. However, we are interested in knowing why prices rise as well as the effects of the rise. To determine the impact of wage increases on prices, it is futile to use changes in real wages. When money wages and other employment costs rise more than output per manhour, unit labor costs increase. If unit labor costs rise more than other costs decline, then total costs rise and there is pressure for higher prices. The higher prices, in turn, reduce the value of the higher money wages received so that it is not too far out of line with gains in output per manhour over longer periods of time.

An oversimplified illustration will demonstrate the point. Let us assume that output per manhour increases by 10% and then make varying assumptions about changes in money wages and in prices.

If there were no change in wages and a decline of 9% in consumer prices, real wages would increase by 10%. (Money wages 100 divided by consumer price index 91 equals real wages of 110.)

If money wages rise by 32% and consumer prices by 20%, real wages would increase by 10%. (132 divided by 120 equals 110.)

If money wages rise by 120% and wages would increase by 10%. (220 divided by 200 equals 110.)

Note that in each of these instances, both real wages and output per manhour have risen by 10%. To compare the two would give us no guidance concerning the trend of prices or as to the pressures exerted on prices. Yet in these three illustrations, we have widely varying price behavior, namely, a price decline of 9% and price rises of 20% and 100%. On the other hand, if the changes in money wages and in

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*An address by Dr. Backman before the American Statistical Association, Chicago, Ill., Dec. 27, 1958. The material in this paper was taken from the author's *Wage Determination* to be published in the spring of 1959 by Van Nostrand. For a development of the points covered in Chapters 8, 10, 13.

1 See their essays in *Problems of United States Economic Development* (New York Committee for Economic Development, January, 1958), Vol. 1.

2 Arthur F. Burns, *Prosperity Without Inflation* (Buffalo: Smith, Keynes & Marshall, 1958), pp. 6-7.

3 *Fringe Benefits, 1957* (Washington: Chamber of Commerce of the United States, 1958), p. 13.

4 Ibid.

output per manhour are compared, we can ascertain one of the pressures on prices. Thus, when output per manhour rises by 10% and money wages increase by 32%, there is a 20% increase in unit labor costs which could create significant pressure for higher prices. When output per manhour rises by 10% and money wages by 120%, then unit labor costs rise by 100% and there is tremendous and an irresistible pressure for higher prices.

Changes in *real wages* properly are compared with changes in output per manhour to determine whether wage earners are sharing in a rising level of productivity. Changes in *money wages* properly are compared with changes in output per manhour to determine the pressures on costs and prices.

Unit Labor Costs and Prices: The relationship between unit labor costs and prices is not always easy to determine. Nevertheless, very large increases in unit labor costs must have some impact on prices. The U. S. Bureau of Labor Statistics has made available some very interesting data on this subject for the entire economy for the period 1947 to 1957. Table I summarizes these data:

BLS properly warns that "caution must be exercised" in connection with conclusions concerning causes and effect relationships between wages and prices:

"Prices are subject to numerous influences of changing market conditions and costs of production, and a change in price cannot be explained by reference to any single factor, even one as large as labor costs. Where the figures indicate that prices and unit labor costs showed about the same increase, or that one or the other showed a greater increase during a particular year or period of years, this should be taken as a description of what happened and not necessarily as an explanation of what 'caused' the change. An increase in unit labor costs may lead to an increase in price, but conversely an increase in price can result in strong pressure for increases in wages.

"There is, moreover, a strong interaction between demand and costs. Rapidly rising demand for the product of an industry may lead to price increases and may also provide producers with the incentive to bid up wage rates in order to expand working force and production. In this event, it may turn out that labor costs rise as rapidly, or more rapidly, than prices."[5]

Despite this warning, it is interesting to note that unit labor costs and prices for the entire private economy rose about 33% between 1947 and 1957. While there were differences in the changes measured on a year to year basis, Table I shows that unit labor costs and prices did not diverge too markedly in any of the years surveyed. Such a close relationship for the entire private economy does not mean that a similar relationship will necessarily prevail for each company or industry. Clearly, wages and prices have been affected significantly by the war and postwar inflation in money and credit and the large budgetary deficits of the Federal Government. However, these factors were not important in the 1955-57 period because the Federal budget had a surplus and money supply was increasing at less than long-term rates. Table II shows the data in manufacturing industries.

During the war and postwar period from 1939 to 1957, unit labor costs in manufacturing industries increased 138.6% and the prices of finished goods rose by 116.7%. The underlying inflation undoubtedly was responsible for the major part of these increases.

Unit labor costs for all manufacturing industries were estimated to rise 33.0% between 1947 and 1957 but wholesale prices of finished goods increased only 23.1%. This divergence probably is explained by several factors: prices of raw materials and semi-manufacturers rose only 8.6% during the same period, profits before taxes as a percent of sales for all manufacturing industries declined from 11.0% to 8.8% and volume rose sharply, thus making it possible to distribute overhead costs over a much larger number of units.

Wages and Prices of Services in Consumer Price Index: The impact of higher labor costs is most apparent in connection with the prices of services. Thus, for personal care, medical care, automobile repairs, and various household repairs (e.g., painting, electrical work and repairs for electrical appliances), the cost is primarily wages. For these services, increases in output per manhour are not available out of which to absorb higher labor costs. Thus, they are transmitted directly to the consumer in higher prices. The alternative is an increase in unemployment. This is the same situation which prevails in any industry which cannot meet labor costs out of gains in output per manhour.

It is not surprising to find that the steady rise in wages and other labor costs has been reflected in a steady rise in the prices of all types of services.

Between March, 1955 and June, 1958, the prices of services rose 10.3%, as compared with the rise of 7.0% in the retail prices of goods.

Between 1951 and June, 1958, the prices of services rose 24.7%, while goods prices rose only 5.7%.

Between 1949 and June, 1958, the increase was 35.4% for services and 15.9% for goods.

It seems evident, therefore, that wage inflation has contributed significantly to the rise in the consumer price index in recent years. Labor leaders have disavowed any relationship between wage increases and advances in prices. For example, one steel union economist has stated: "Wage increases in steel have not caused even a single steel price increase since the formation of the Steelworkers Union 20 years ago."[6] That such a statement has no relationship to reality is shown by the fact that the increase in total employment costs in the steel industry between 1945 and 1955 was greater than the industry's total profits before taxes in 1955. In other words, if steel prices had not been increased, the industry would have operated at a huge loss in 1955.[7]

Conclusion

Wage inflation takes its toll in rising prices, lower profit margins, or unemployment. And workers are adversely affected by all three alternatives. While workers may escape part of the ravages of wage inflation, they cannot escape them entirely. Higher prices cut the purchasing power of all wages and benefits received under security programs. Reduced profits adversely affect the incentive to invest in new plant and equipment. The result is fewer job opportunities and a slower rate of gain in productivity. Unemployment, attending excessive labor cost increases, means that those who hold their jobs obtain their higher real earnings at the expense of those who lose their jobs or who fail to obtain jobs.

Increases in money wages and non-wage benefits have been exceeding gains in output per manhour by some 2% or 3% a year. The net impact on prices has been called "creeping inflation." Some economists have viewed creeping inflation as unavoidable. They have suggested that it is impossible to hold down labor cost increases to the level of gains in output per manhour. Presumably, this problem arises because of the power built up by the labor unions. Such an attitude is defeatist.

While price increases of 2% or 3% a year seem small, they aggregate into a major erosion of purchasing power over a period of years. Thus, an annual rate of increase of 3% a year would double the price level in a quarter of a century. The prospect that half of the purchasing power of the dollar would be wiped out in a generation is certainly no grounds for complacency. It is the task of economists to educate the public officials, workers, and the public generally as to the evil consequences of a continuation of wage inflation. Economists abdicate their role when they throw up their hands in despair and proclaim that nothing can be done about this situation. We cannot accept creeping inflation as a way of life because it would adversely affect all fixed income groups and would eat away at the foundations of incentives to save. This in time would adversely affect future economic growth.

Moreover, there can be no assurance that inflation would continue to creep. As the steady erosion in the purchasing power of money takes place, more and more persons will seek to protect themselves by anticipating the price rise. Psychological factors become very important. The resulting flight from money would accelerate the rate of increase in prices. The creeping inflation can become a galloping inflation and in turn a runaway inflation. It is true that these developments will require support from monetary and fiscal inflation. That this support would be forthcoming seems probable because of our unwillingness to accept the alternative of large scale unemployment. We cannot escape the horns of this dilemma so long as we persist in tolerating wage inflation and insist upon full employment. We must take a vigorous action to develop a growing public awareness of the dangers inherent in all forms of inflation, whether it be fiscal, monetary, or wage.

5 *Productivity, Prices and Incomes*, (Washington: Joint Economic Committee, 1957), p. 276.

6 Testimony of Otis Brubaker in *January, 1957, Economic Report of the President*, Hearings Before the Joint Economic Committee (Washington: U. S. Government Printing Office, 1957), p. 295.

7 See my "Steel Prices, Profits, Productivity and Wages," in *Steel and Inflation: Fact vs Fiction* (New York: United States Steel Corporation, 1958), pp. 127-30.

TABLE I

Unit Labor Costs and Prices for Private Non-Agricultural Economy, 1947 to 1957

(1947=100)

	Unit Labor Costs*	Implicit Price Change—Private Non-Agricultural	Consumer Price Index
1947	100.0	100.0	100.0
1948	106.0	106.6	107.6
1949	105.0	108.1	106.6
1950	104.9	109.3	107.6
1951	112.9	116.4	116.2
1952	117.0	118.6	118.8
1953	120.6	120.9	119.8
1954	121.7	122.4	120.2
1955	121.9	123.9	119.9
1956	128.1	127.2	121.7
1957	133.0	131.6	125.7

*Employee compensation per dollar of real product.

Source: Joint Economic Committee, "The Relationship of Prices to Economic Stability and Growth" (Washington: U. S. Government Printing Office, March 31, 1958), p. 697.

TABLE II

Unit Labor Costs and Wholesale Prices of Finished Goods, All Manufacturing, 1939, 1947-57

(1947-49=100)

	Unit Labor Costs*	Wholesale Prices of Finished Goods
1939	54.2	54.5
1947	95.9	95.9
1948	101.7	103.5
1949	102.5	100.6
1950	100.2	102.4
1951	111.1	112.1
1952	116.1	111.5
1953	118.3	110.4
1954	120.4	110.7
1955	119.6	110.9
1956	125.3	114.0
1957	129.3	118.1

*Total compensation of all employees per unit of output.

Sources: "Productivity, Prices, and Incomes," op. cit., p. 144 and "The Relationship of Prices to Economic Stability and Growth," op. cit., p. 698.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Chemical Corn Exchange Bank, New York, has elected George J. Bender and Walker G. Buckner to

George J. Bender

Walker G. Buckner

its Metropolitan advisory boards, it was announced by Harold H. Helm, Chairman. Mr. Bender, who is President of **Brooklyn Savings Bank, Brooklyn, N. Y.** will serve on Chemical's Brooklyn Advisory Board. Mr. Bruckner will become a member of Chemical's Grand Central Advisory Board.

* * *

A new type of credit service will become available to New Yorkers on Feb. 2, when **The First National City Bank of New York** introduces Citibank Ready-Credit. It is not necessary to be a customer to qualify for this service, and applications are available at all 77 New York City branches and head office.

Designed to supplement other personal credit services with an individual line of credit, the Ready-Credit plan provides for a mutually agreed upon amount of credit that the customer can draw against with personalized checks supplied free. Credit lines may be established in amounts ranging from a minimum of $120 to a maximum of $3,000.

The Citibank Ready-Credit plan will enable each customer to purchase what he wants, where he wants, and when he wants it. The balance of the account will be repayable in monthly instalments at the rate of one-twelfth of the credit line. Interest will be charged only on the amount of the credit line used and outstanding at the rate of 98/100th of 1% a month (less than $1 per month per $100) plus a few cents for life insurance. The amount available to the customer is continually restored to the extent of his repayment.

* * *

George M. Bragalini rejoins the branch administration department of **Manufacturers Trust Company, New York,** as a vice-president it was announced by Horace C. Flanigan, Chairman of the Board.

Mr. Bragalini first joined Manufacturers Trust Company in 1941. He was appointed an assistant branch manager in 1943, an assistant secretary in 1944, an Assistant Vice-President in 1946 and a Vice-President in 1953.

In May, 1952, Mr. Bragalini left Manufacturers Trust Co., returning to the Bank in March, 1953. In August, 1953, he was appointed Supervising Vice-President of the Bank's offices in the Borough of Queens. In December of the same year he again left the bank.

* * *

The directors of **J. Henry Schroder Banking Corporation, New York,** and **Schroder Trust Company, New York,** announced the promotion of Joseph A. Matejov from Assistant Secretary to Assistant Vice-President, and the appointment of Norman W. Davis, Harold Navan and Frederick S. Willis as Assistant Secretaries and of Philip H. Robinson as Assistant Treasurer.

* * *

Donald I. Rogers has been elected a trustee of **Union Dime Savings Bank, New York,** it was announced by J. Wilbur Lewis, President of the Bank.

* * *

Kings County Trust Company, Brooklyn, N. Y., was given approval to increase its capital stock from $2,420,000 consisting of 121,000 shares of the par value of $20 each, to $2,662,000 consisting of 133,100 shares of the same par value.

* * *

Stephen Wade, Louis R. Tissot and James G. Maher were promoted to Vice-Presidents of the **Fulton Savings Bank, Brooklyn, New York.**

* * *

Central Bank and Trust Co., Great Neck, N. Y., was granted approval to increase its capital stock from $1,869,030 consisting of 186,903 shares of the par value of $10 each, to $2,310,140 consisting of 231,014 shares of the same par value.

* * *

Herman H. Maass, President of the **Security National Bank of Long Island, Huntington, N. Y.** on Jan. 20 announced officer promotions to take effect immediately.

Vice-President James C. Dinkelacker has now become the Bank's Administrative Vice-President. Vice - President George E. Maccaro is to serve as general counsel. Director Emil M. Keen is named Vice-President of planning and construction.

Vice - Presidents Benedict G. Sohm and Ernest A. Slade have been placed in charge of Security National's Nassau Division. Mr. Sohm, principal officer at the Seaford office, becomes administrative head of the division. Mr. Slade, who has been named Vice-President and Assistant Comptroller, assumes division responsibility for operations.

Minnie E. Bruno, formerly an assistant vice-president, has been made a Vice-President in charge of the Center Moriches offices.

Shareholders also voted unanimous approval of a 3% stock dividend, pending approval by the Comptroller of Currency, at their annual meeting at the Bank's Huntington office.

* * *

E. J. O'Neill, Assistant Vice-President of **The County Trust Co. White Plains, N. Y.,** completed 30 years of service, Jan. 21. He has been in charge of the Bank's office at 242 Mamaroneck Avenue, Mamaroneck, since 1947.

Also announced was the opening of the County Trust Co.'s second banking office in Mamaroneck on Jan. 24 at 624 East Boston Post Road.

James H. Nangle is Assistant Treasurer in charge of the office. Assisting Mr. Nangle in the new office will be Robert E. Esposito and Mrs. Winifred Gilmore.

* * *

Frank T. Bailey, a Vice-President of the **Chappaque National Bank, Chappaqua, N. Y.,** died Jan. 20 at the age of 89.

* * *

Manufacturers and Traders Trust Company, Buffalo, N. Y., was given approval to increase its capital stock from $11,283,570 consisting of 2,256,714 shares of the par value of $5 each, to $11,509,245 consisting of 2,301,849 shares of the same par value.

The Commercial Bank of North America, New York, has promoted Garry Stolzberg, Irving Herbst

Garry Stolzberg

Irving Herbst

Herbert D. Backer

and Herbert D. Backer to Vice-President positions, it was announced on Jan. 29 by Jacob Leichtman, President. They formerly served as Assistant Vice-Presidents.

Mr. Stolzberg, who has been with the institution since its founding in 1924, will be in charge of customer relations at the bank's main office, 110 Fifth Avenue.

Mr. Herbst will continue in charge of the office at 528 Broadway. Joining the institution in 1934 as a messenger, he later served as a teller and in the bank's accounting, auditing and vault departments.

Mr. Backer will continue as a loan officer at the 1400 Broadway office where he has served for six years. Prior to joining Commercial Bank he served as an executive with the **Chemical Corn Exchange Bank, New York** and the **National Safety Bank and Trust Co.**

* * *

Ralph W. Igoe was elected a member of the Advisory Committee of the North Brookfield Office of the **Worcester County National Bank, Worcester, Mass.,** on Jan. 27, according to an announcement made by President Edward L. Clifford.

* * *

Empire Trust Company, New York, N. Y., was given approval to increase its capital stock from $5,408,000 consisting of 108,160 shares of the par value of $50 each, to $5,625,000 consisting of 112,500 shares of the same par value.

* * *

The National State Bank of Newark, New Jersey, is offering to the holders of its capital stock of record on Jan. 23 rights to subcribe at $50 per share for 80,000 additional shares of $12.50 par value capital stock at the rate of one new share for each six shares held.

Stockholders of record on Jan. 13 received as a stock dividend 24,000 capital shares, bringing total outstanding stock to 480,000 shares. The shares now being offered for subscription will increase this to 560,000 shares.

National State Bank of Newark began operations in January, 1812, under the name **State Bank of Newark.** Today the bank operates from its main office in Newark and 21 branches in Newark and the surrounding area.

* * *

Stockholders of **Trust Company of Morris County, Morristown, New Jersey,** at the annual meeting Jan. 27, approved a proposal by the board of directors to increase the bank's capital stock. This action would increase the capital stock from $1,840,000, consisting of 92,000 shares having a par value of $20 per share to $2,024,000, consisting of 101,200 shares at the same par value by the sale of an additional 9,200 shares. Subject to approval by the Commissioner of Banking and Insurance of the State of New Jersey, these 9,200 additional shares, having an aggregate par value of $184,000, will be offered for subscription to the stockholders on the basis of one new share of stock for each ten shares held. The stockholders authorized the board of directors to set a date upon which rights are to be allotted and to fix the price for which and the date when the new shares of stock shall be issued.

* * *

Shareholders of the **National Community Bank, Rutherford, N. J.,** and **Ridgefield National Bank, Ridgefield, N. J.,** will meet on Feb. 20 to approve plans for a merger. Directors of both banks have approved the plans.

* * *

H. T. Hallowell, Jr., has been elected to the Board of Directors of **The Philadelphia National Bank, Philadelphia, Pa.,** it was announced by Frederic A. Potts, President.

* * *

It was announced on Jan. 26 that the **Broad Street Trust Co., Philadelphia, Pa.,** will issue 32,000 additional shares of common stock (par $10) to its common stockholders of record Jan. 22. Rights to subscribe on the basis of 16 new shares of common stock for each 149 shares then held; rights to expire on Feb. 16. Price—$35 per share.

* * *

The Board of Directors of **The McDowell National Bank of Sharon, Pa.,** announces the election of John S. Bycroft, Jr., as Chairman of the Board, Harry B. McDowell, Jr., as President and Chief Executive Officer, and Wilbur C. Edwards as Cashier.

* * *

Effective Feb. 2, the name of **The Second National Bank of Washington, Washington, D. C.,** will be changed to **The First National Bank of Washington,** by amendment to the Articles of Association as approved by shareholders on Jan. 13.

* * *

Robert C. Baker has been elected President and Chief Executive Officer of the **American Security & Trust Co., Washington, D. C.** He will succeed Daniel W. Bell who continues as Chairman.

* * *

The Board of Directors of **National Bank of Commerce, Norfolk, Va.,** announces the retirement of Arthur W. Brock, Honorary Vice-Chairman of the Board, I. T. Van Patten, Jr., Senior Vice-President, Baxter C. Carr, Senior Vice-President, and Linwood E. Bradshaw, Vice-President.

* * *

Six officers were promoted to Vice-Presidents, following the annual stockholders' meeting of **The Cleveland Trust Company, Cleveland, Ohio,** Jan. 21, it was announced by President George Cund.

They are C. A. Downheimer, C. E. Schaedel, R. M. Clark, W. L. Smith, E. H. Dumont, and A. W. Marten.

* * *

Several officer appointments at **National City Bank, New York,** were announced by Francis H. Beam, President.

Glenn L. Furry, previously manager of the Bank's Accounting Department, was appointed assistant comptroller. Mr. Furry joined National City 10 years ago.

William B. Roe was appointed a trust officer. Mr. Roe has been in National City's Trust Department since 1950.

* * *

The early retirement of J. M. Killpack, Executive Vice-President of **Central National Bank of Cleveland, Ohio,** was announced on Jan. 22, by Loring L. Gelbach, Chairman and President. Mr. Killpack's retirement will become effective in the early future.

Mr. Killpack will remain closely identified with the Bank, serving in an advisory capacity and continuing as a member of the Bank's Board of Directors and its Executive Committee.

He joined the Bank in 1938 as Assistant Vice-President. In 1940 he was elected Vice-President and in January, 1950, a Director. He was named in 1953 Senior Vice-President and since March 1957 has been Executive Vice-President.

* * *

Evans Wollen Jr., Chairman of the **American Fletcher National Bank of Indianapolis, Ind.,** died Jan. 25 at the age of 61. He entered the banking business in 1920 with the old **Fletcher Trust Company,** as a clerk. Mr. Wollen was named President of American Fletcher when it was formed in 1955 and was elevated to chairman last year.

* * *

Stockholders of **Harris Trust and Savings Bank, Chicago, Ill.,** at their annual meeting elected a new Director and authorized a 33⅓% stock dividend recommended by the bank's board. This dividend will increase the bank's capital from $15,000,000 to $20,000,000. Kenneth V. Zwiener, President, presided at the meeting.

The new director is Frank H. Woods.

Fred G. Gurley a director of Harris Bank since 1942, chose not to stand for re-election.

Following the favorable stockholder action on the recommended stock dividend, the bank's board voted to transfer $5,000,000 from undivided profits to capital and authorized the issuance of 250,000 additional shares of $20 par value capital stock. The new shares will be distributed to stockholders of record Jan. 19.

* * *

John S. Reed elected a Director of **The Northern Trust Company, Chicago, Ill.**

Mr. Reed replaces James G. Shennan, who requested not to be considered for re-election to the Board.

* * *

The shareholders of the **Uptown National Bank of Chicago, Illinois,** increased its capital stock to $1,750,000 on Jan. 15. Therefore, effective on the date it receives a certificate of approval from the Comptroller of the Currency the stock dividend provided by the shareholders at their meeting will be forwarded to shareholders of record as at the close of business on Jan. 15.

The additional common stock consisting of 10,000 shares of the par value of $25 each, is offered for subscription at $35 per share to the shareholders of record at the close of business on Jan. 15, in the ratio of one new share for every five shares of the existing common stock then owned.

The combined capital and surplus following the issuance of shares provided will be $3,500,000.

* * *

Gordon M. Metcalf has been elected a Director of **American National Bank & Trust Co. of Chicago, Ill.**

* * *

First National Bank in Fairbury, Ill., with common capital stock of $50,000, has gone into voluntary liquidation by a resolution of its shareholders dated Dec. 27, effective Dec. 31.

Liquidating agent: M. E. Tarpy, care of the liquidating bank.

Absorbed by: **Farmers National Bank of Fairbury, Ill.** (which bank changed its title to National

Continued on page 53

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued to be hobbled by selective profit-taking this week but it didn't stop a few issues from carving out good gains although the demand was spotty and erratic. The overall effect was mostly one of a stalemate until the list could find some incentive for more determined action.

* * *

Rotating leadership in the blue chips kept the industrial average close to its all-time high, but there wasn't enough concentrated strength at any one time to enable the list to work across the 600 line decisively. So far the only readings above that line have been achieved solely by taking the best prices of the components, and no actual hourly posting has made the mark which has become something of a goal.

Spotty Rallying

Some of the oils, steels and "split candidates" were able to supply the rallying tendencies when the going was rough but the record even here was a bit spotty. Steels were sparking better action at one time but news that Bethlehem Steel and Youngstown Sheet had definitely ended their government-opposed merger plans cut the latter back rather hard.

* * *

Oils were showing the first signs of life that they have mustered in months when the drop of a third in profit in Standard Oil of Jersey came along, as telegraphed in advance by the Venezuelan decision to revise its tax bite retroactively. Jersey wasn't overly hard-hit consequently, since the shock value was diluted.

Divergent Split Reactions

Even where split hopes were high, apparently a good bit of the news had already been discounted, notably Warner Lambert which was definitely reactionary after a 2-for-1 division was proposed. Denver & Rio Grand in the rails hailed a stock split proposal momentarily, but then profit-taking moved in. Allied Kid which wasn't overly prominent among the split hopefuls was able to appear among the good gainers when its split plans were revealed.

* * *

The varied reactions indicated that to a good extent much good news had already been discounted. It made the Street even more cautious. The inability of the industrial average to get going again, the dwindling volume that indicated much of the new year reinvestment demand had been satisfied, and the fact that the period for realizing cash for tax payments was rapidly approaching, all weighed on the near-term constructive sentiment.

* * *

The market was also rather sensitive to news developments of an unfavorable nature for a change, after it had ploughed ahead steadily despite any and all news developments and bad earnings through the bulk of last year. Rejection of a shipment of motors by the government brought an immediate and somewhat excessive decline in Westinghouse. Court action by Texas to disrupt the planned merger of Sinclair Oil and Texas Pacific Coal & Oil was all that was needed to unsettle the latter speedily.

* * *

The really wild item—and explanations failed to answer most of the questions—was Borne Chemical on the American Exchange, maker of oils and greases. A few months ago it was 7½ and two weeks ago had reached 28. It took off as a skyrocket from there to reach 80 in a handful of trading sessions which served to bring on official investigations, and in even shorter time the issue had lost around half of its peak price.

Interest in Meat-Packers

One group that was getting much attention both because of good prospects ahead and because it is far from being at anything approaching a too-high status is the meat packing shares. Most of the attention was concentrated on the nondividend-paying, depressed items in the section where the capital gains could be greater. But Swift & Co., while admittedly not destined to outperform the others percentagewise, was still an item of interest both because of its yield approaching 4½%, and the fact that there is considerably less risk in this than in the more speculative items in the group.

* * *

Swift's good yield continues despite a trim in the rate from \$2 to \$1.60, which helped carry the issue nearly a dozen and a half points below its peak of as recently as 1956. Reduced livestock supplies in the last couple of years have hurt the meat packers plus the fact that profit margin is extremely low. But indications are that, particularly in hogs, the livestock supply this year will be substantially higher. Rough projections of Swift's earnings potential for the current fiscal year range to where the present dividend is covered three times over which, obviously, makes the stock a candidate for a return to the old rate in time.

Rails Continue Listless

Rails showed little life as a group despite the fact that they are reporting quite a sharp turnabout in earnings from the depths of the recent recession. Southern Pacific, despite the fact that throughout the troubles of last year it was able to boost per-share net slightly, was lifted only moderately marketwise. To be specific, its gain on the news was only a fraction. Its yield runs past 4½%.

* * *

Baltimore & Ohio isn't one of the higher-yielding items, hovering lately in the 3⅓% area. But the regular payment could well be larded with a better yearend distribution this year. The line paid 50 cents last yearend but covered its full-year's payment of \$1.50 more than three times over.

* * *

On the basis of earnings that dropped from \$10 to \$8½ to \$5.37 in the last three years, the record isn't good. But substantial economies have been made and, like other rails, B. & O. showed a good upturn in the final months of last year. Projections are for 1959 earnings around \$8 a share. The recently increased quarterly payments for this year that put it on the \$1.50 basis before any yearend extra make the payout a puny fraction of total earnings.

Coppers Volatile

The volatile section of the list was the copper shares, influenced mostly by wild fluctuations in the price of the metal in world markets. From around 50 cents in 1956, the red metal lost more than half of its value by early last year but since then considerable strength has shown up, making the copper shares more attractive for a change. The yield item in this group, with a return of better than 4½% at recent levels, is Phelps Dodge while the leveraged item, in part because of a large funded debt, is Anaconda where the recent yield has been a scant 3%. An unknown facet in the copper shares is the possibility of a strike this summer for U. S. producers, which would serve to cut world supplies since a third of the world's output comes from this country.

* * *

The oils continue, despite their momentary popularity, to be the more neglected of the major stock groups. Skelly Oil at recent levels was holding at a level that retraced less than half of the decline from the 1957 high. In less than a decade the capital expenditures by the company approximated its recent market price. Its dividend was covered twice over by last year's earnings. Moreover it is an issue with little floating capitalization since nearly 60% of its less than six million shares are held by Mission Corp. The company has a good record of boosting reserves and any major discovery could have a sharp impact on the small capitalization available outside Mission's holdings.

[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 Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

WINSTON SALEM, N. C.—Robert M. Wearn, Jr., is now affiliated with Merrill Lynch, Pierce, Fenner & Smith, Incorporated, R. J. Reynolds Building.

Rousselot Reelected By Commodity Exch.

Harold A. Rousselot, general partner, Francis I. duPont & Co., on Jan. 22 was unanimously reelected by the Board of Governors of Commodity Exchange, Inc. to his second term as President. Mr. Rousselot is the tenth President to serve the Exchange since its founding in 1933.

H. A. Rousselot

Other officers elected were: Vice-Presidents, Timothy F. Carberry, President, Metal Traders, Inc., representing the Metals Group; Matthew S. Fox of Balfour, Maclaine, Inc. for Rubber; Walter S. Stern, President, H. Elkin & Co. for Hides; J. Raymond Stuart, General Partner, E. F. Hutton & Co., representing the Commission House Group; and John McN. Sullivan, President, Gerli International Corp. for the Silk Group.

Joseph Fischer, of Joseph Fischer & Co., was reelected Treasurer.

New Governors elected to the Board for a three year term were: William J. Deevy, Jr., President, Schmoll Fils-Deevy Corp.; Timothy F. Carberry, President, Metals Traders, Inc.; Henry Mintz, Herman Hollander, Inc.; William Reid, general partner, Bache & Co.; and Joseph Louis, President, L. Littlejohn & Co.

Commodity Exchange, Inc., which recently celebrated its Silver Anniversary, is a membership corporation, with membership owned by individuals who represent a cross section of the nonferrous metals, rubber, burlap, and hide trades and most of the well known brokerage and commission house firms with branch offices and correspondents in practically every important city in the U. S. and abroad.

Comex was founded in 1933, when the National Metal Exchange, the Rubber Exchange of New York, the National Raw Silk Exchange and the New York Hide Exchange were merged into one.

An Urgent Appeal for Trade Voiced by U.S.S.R.'s Mikoyan

At a recent gathering in Cleveland, Ohio, in honor of Deputy Premier Mikoyan, Cyrus Eaton recalls past fanatical rivalries in pointing out partisans can agree that it is possible to live and let live; Mr. James F. Lincoln comments on growing closeness of the ideas of communism and capitalism; Dean L. L. Rummell refers to profitable exchange of farm visitors; and Dr. Charles C. Higgins declares there are no medical secrets. In response, Mr. Mikoyan readily concedes U.S.S.R. is trying "to catch up and overtake" us in peaceful race for higher living standards and productivity; blames Congress for preventing trade from developing in urging trade take place; and issues a rebuttal to charges of undermining markets and dumping benzol, tin, copper and natural rubber.

EDITOR'S NOTE: The following is a transcript of the speeches by heads of leading corporations and representatives of agriculture, labor and science on the occasion of the Jan. 7 luncheon in honor of Deputy Premier Anastas I. Mikoyan of U.S.S.R., at the Union Club in Cleveland, Ohio.

Remarks of Cyrus Eaton

My first word to our visitors from the Soviet Union is to extend to them our warmest congratulations on their scientific achievements. The admiration of the world has been drawn by the dramatic launching of the new planet that is now taking its place in orbit around the sun.

Cyrus Eaton

For several years I have been meeting with Russian scholars and scientists. From the first of these associations, I was quickly convinced that the Soviet Union possesses some of the most brilliant minds of the world.

Attending this luncheon today are representatives of great corporations with headquarters in Ohio, many of them doing a world-wide business. I am sure that these business leaders recognize, as I do, the importance of reaching a workable understanding with the powerful Soviet Union, whose progress in science and industry has been so impressive.

In my long lifetime, I have found that people can be competitors and still get along together. But even though competition is healthy, it becomes dangerous when it is carried to the extremes of fanatic rivalry.

During my 50 years in business, I have seen unwise rivalries jeopardize a number of our great industries. In meat packing, rubber, steel and electric power, for example, the cardinal policy at one time was for each company to attempt to keep its competitors from making money. Wholesome competition now prevails in these industries, since their leaders have discovered that their companies are more likely to prosper when their competitors are also thriving.

In history, as in business, rivalry between ideologies has followed a similar pattern. The Crusades were carried on for several hundred years, with the partisans persuading themselves that Christians and Mohammedans could not live in the same world. At times, fanatics would arise to inspire bitter warfare, and to urge complete death and destruction. Today the globe has been found to be big enough for both religions, and there are hundreds of millions of Mohammedans and Christians.

The Thirty Years War of the seventeenth century proceeded on the theory that Europe was not big enough to hold both Protestants and Catholics. After three decades of bitterness and hatred, the partisans came to the belated but sensible conclusion that it was possible to live and let live.

The world today can well afford to profit by these examples of the past. Let us have healthy competition between ideologies, without rancor and recrimination.

Exchanges of visits such as we are enjoying today provide one highly useful means of understanding each other. Mutually profitable commerce would be a further and broader path to friendship. To enable such international trade will of course, require changes by our Congress in restrictive legislation that now poses a serious barrier.

Again I say welcome and congratulations to our Soviet guests. We hope you are enjoying your visit and will come back to Cleveland often in the future.

Now, I am going to ask four men who are around the table here to say a word on behalf of the fields which they represent. Mr. James F. Lincoln, who is chairman of the board of Lincoln Electric Company, a great Cleveland industry, which he has largely created, will speak for the industrialists. I am going to ask Dr. L. L. Rummell, dean of the College of Agriculture, of Ohio State University, to say a word for agriculture; Grand Chief Engineer Guy L. Brown of the Brotherhood of Locomotive Engineers, to say a word for labor; Dr. Charles C. Higgins, a great scientist to speak for the scientists and the doctors. Dr. Higgins is chairman of the board of governors of the American Board of Surgeons.

Remarks of James F. Lincoln

It is a great pleasure for me to be here, particularly when we have this very fine representation from the Soviet Union. It is exchanges of visits like these that are so necessary for the future of this country and the future of the world, and I am sure that what we are getting out of this is going to be tremendously helpful in agreement between the two nations. I am particularly glad that Ambassador Mikhail Menshikov is here, who I have known before, and who is an outstanding man in his field.

James F. Lincoln

The thing we need in this country is to have more and more exchange of visitors, exchange of goods, exchange of ideas. After all, we try to think that we are different from other people. We say they are "Communists," and yet we are going in that direction at a tremendously rapid speed. There is also every indication that the communists are going toward capitalism, at least to some extent. I do not believe there is much doubt but what before long the agreement between the two ideas will be much closer than anything we have seen before.

It is well to remember, too, that all Americans, or almost all Americans, came from Europe originally, and remember that a very large proportion of them came from the communistic countries. Why can we not, if we can get along with each other here, why can't we do the same thing in understanding between the two countries? It seems to me that that is an obvious thing. It is something which we must answer, and something which should not be too difficult for people who actually are very close to being blood brothers.

I greet you and welcome you to Cleveland.

Remarks of Dean L. L. Rummell

I feel like a foreigner here myself, coming from away down State, so maybe I have something in common with our visitors here at the head table. We have had a great many exchanges of farm visitors from the United States to the Soviet Union during the past two or three years. We feel that this is one of the things that Mr. Lincoln may have had in mind—that we have had this exchange of information, and particularly about agriculture.

In this day of satellites and scientific development, we still must not lose sight of the fact that our greatest wealth, our basic wealth, is still in the soil, whether it may be in the minerals, whether it's in the fuels, or whether it may be in food production.

In an educational institution, such as we have at the College of Agriculture at Ohio State University, the Agricultural Experiment Station, we are particularly interested, of course, in the production of food, fiber, and timber.

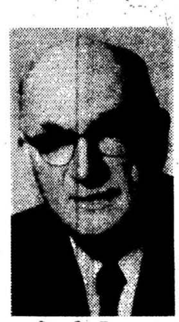
So we have this particular resource which is great in our United States and we know also that it is one of the fundamental things in the development of the country of the Soviet Union.

We are very happy indeed to add our word of welcome to these guests. We trust that as they travel across the United States, while they are visiting industries, while they are seeing our cities, the resources of the people of this country, they will not be unmindful, too, as they fly across our lands, even though it is not at the growing season, that they will see the wealth of America, which I say is in the soil, and that means food production.

We are very glad indeed that representatives of agriculture have had the opportunity of being here with you on this occasion.

Remarks of Guy L. Brown

I would like to add a few words of welcome to our friends here—and I believe they come to us as friends—and say to you that as a laboring man and a representative of organized labor—in fact, the oldest railway labor organization on the North American Continent—we are glad to have you here. We would like to have more of your people or men who actually work on the railroads in your country visit us and see what we have here and how we do it. We believe—I firmly believe—there is a place for all of the people of the world to live in peace and in cooperation and bring it down to our country.



Guy L. Brown

Capital is not worth much without labor and labor is not worth anything without capital. There may be a time come that someone can work out a better understanding and a better working arrangement, but, after all, it takes both.

And I say to you, your Excellency, we are glad to have you here. We hope that you gain some benefit from your visit in this country and that there can be something said or done by some of us that will help bring a better understanding between the nations, not only of Russia and the United States but the nations of the world.

Remarks of Dr. Charles C. Higgins

As Chairman of the Board of Governors of the American College of Surgeons I had the opportunity of visiting the Soviet Union for approximately one month during the last summer. In addition to discussions with the Minister of Health, the Minister of Education, on problems not only pertaining to local activities in the Soviet Union, we had an opportunity to discuss world problems.

Charles C. Higgins

I had the privilege of holding operative clinics at the various universities in the Soviet Union and witnessed the skill, the dexterity of the outstanding surgical personalities in the Soviet Union.

I do not want to speak too long, but I would just like to mention that we can learn things from the Soviet surgeons, they can learn things from us.

Professor Petrov in Leningrad has removed the esophagus, that is, the tube leading from the mouth to the stomach, for benign and cancerous conditions in the largest series of patients in the world and more than any other surgeon. He is to be my guest at the next meeting of the American College of Surgeons.

In addition, obviously I devoted a great deal of time to the research laboratories, where the investigators, the biologists, the physicists, the chemists, were very communicative. There was no hesitancy in discussing their research projects. They devoted one day to the world famed Pavlov Institute in Leningrad where the inital work was done on conditioned reflexes. I had the opportunity of studying their system of blood banks and the dissemination of blood for patients, which is different than that that is utilized in any country in the world.

It interests me a great deal that in the science of medicine we occupy a most unique position. There are no medical secrets. Scientific achievements by the scientists of one country are freely given to the medical fraternity throughout the world. I feel that if such an attitude prevailed in industry and other segments of life we would go a great deal to making a step forward for the peace and prosperity of the countries of the world.

Mr. Eaton: I now have the honor to present to you Soviet Deputy Premier Mikoyan.

Remarks of Soviet Deputy Premier Anastas I. Mikoyan

Gentlemen, I consider it a great privilege to be in such company. I am not on an official visit, but I can see that you want to make use even of this unofficial occasion to express your feelings in regard to my country. You see, it might seem that we are very far away from each other. There is a difference of time of eight hours between Moscow and Washington. So when you stop working we only begin working.

Anastas Mikoyan

And when we had as our guest, Mr. Eric Johnston, he pointed to one interesting fact which I was not aware of before. It was in 1944 that he first came, when our relations were of the best. He said that in fact the frontiers of our two countries are removed only three miles from each other at one point. Only three miles of water divide us.

And in the Pacific, near the Bering Straits there are two islands called the Small Diomede and the Large Diomede. Eskimos live on both, Soviet Eskimos and American Eskimos which shows how near we are and yet how far.

But it is a fact that we are neighbors, especially since your new State is very near to those parts. I would like to congratulate you on having this new State, our nearest neighbor.

I was very much overjoyed to hear what I just heard here. If the spirit which guided the statements made here today were to become universal in our relationships, that would open a new page in the history of mankind. It was especially important to hear those words from your lips. All sorts of things are being told about us, good and bad things. You can't believe everything you hear. Along with success we have our drawbacks. We adopted correct decisions and we made mistakes. Then we did our best to right those mistakes. But we have always looked upon Americans—Lenin said that a long time ago—looked upon them as the best organizers of industry. We have always admired the businesslike attitudes of the American people and also their high rate of progress, their tempo, as we say.

At the very beginning when our party first came out of the underground, Lenin told us that we should try to learn from the American these businesslike attitudes and their efficiency, their ability to organize industry.

I should say that that was an expression of respect for America and for Americans.

Claimed U.S.S.R. Objective

Today we have set it as our objective to catch up and overtake America from the point of view of living standards and productivity. Some Americans even look upon that as a sort of an insult.

"How can anyone catch up with us?" they say.

But, first of all, I want to say that if we set this as our objective, we recognize for the time being you are above us from the point of your material productivity, which means that there is much to learn from you.

The first Secretary of our party and our Prime Minister, Khrushchev, is constantly telling our people to learn from Americans in the field of agriculture. How to grow corn, for instance. We are trying to learn how to grow corn well, but we are still not up to your standard. That is just an example.

There are many other fields in

which we have much to learn. Among your businessmen there are gifted people who can do great things, as is evidenced by the position in this State.

When I go back to my country I will tell people back there of the feelings expressed here by Mr. Cyrus Eaton, Mr. Lincoln, Dean Rummell, Mr. Brown and Dr. Higgins. I will speak of the friendly words spoken here, which indicate the basis for peaceful coexistence that I am sure can exist between us. That is an especially important fact at the present time.

In general, I would say that no idea is more sublime than that of friendship between peoples, friendship between nations, and peace between them. And that is especially important in this day and age.

In former times, some people might even have been able to make money on war. Formerly, only the people at the front died in the war. Now people, if there were to be a war, would be dying everywhere.

There is tremendous construction going on in our country in all fields and our people are making a tremendous effort to support our plans for the upbuilding of our country.

When I observed a secret motion picture made in our country of the results of a hydrogen bomb explosion, the idea entered my head that we are building and building and yet one explosion would be enough to annihilate everything. In one minute, not only the fruits of our labor but we ourselves might be lost.

Our scientists are trying to find out the means of building shelters or otherwise to save people from these bombs, but when one has knowledge of what the bomb really is, one thinks that all these shelters are merely a matter of consolation until the bomb has exploded, because there is no defense against the bomb. Those weapons are a very dangerous toy in the hands of man.

Praises Cyrus Eaton's Efforts

That is why the problem of peace now is more important than ever before in the history of mankind. And that is why we highly value the contributions being made by Mr. Cyrus Eaton in trying to bring together on a platform of peace and cooperation the scientists and also the businessmen of our countries.

The fight for peace has importance in all fields of life. And the speeches made here today by representatives of industry, agriculture, labor and science reflect the feelings of the people, and if they are made often enough on both sides they will tend to help create a friendly atmosphere and change the present atmosphere of uneasiness and distrust. Personal contacts, the ability to see how the other side lives, also have great importance.

Even in the fields which it would seem have nothing to do with war or peace, even in those fields, important contributions can be made to better understanding. When your young pianist, a very nice boy, came to our country, I heard him in our Conservatory, and I saw our public stand up and applaud him until their hands ached, and when he said a few words in Russian, they were cheering without end. When that happens, that goes beyond the confines of music and becomes a fight for peace and friendship between us. Our people came to love your young pianist and he said that he came to like our people, too. And we know that your public has been very generous in receiving our musicians and our dancers, who came back to our country deeply moved.

Your Ambassador, Mr. Thompson, was at the reception at which this young pianist was also present and I told the Ambassador, "See, Mr. Thompson, sometimes a young pianist can do more in an hour to bring countries together than diplomats can for many years."

In fact, he impressed us so much, and the reason he was received so well, I should say, is that the atmosphere is ripe for better understanding.

Of course trade and commerce has also a great deal of importance for peace. Trade can help strengthen peace, and peace on the other hand creates the proper conditions for trade. Unfortunately, for the past years we haven't been trading much at all. We do not even know what you might want to buy from our country, and you probably don't know what we would be interested in in your country, but it is a fact that we have something to buy and sell from each other.

Our total exports now are about four and a half billion dollars a year. Of course some of the goods we export you also export. Therefore, they are of no interest to you, but if you take only the goods which you import you will see that we export the same goods to a total of one and a half billion dollars. Accordingly, what is preventing us from developing trade?

Blames Congress for Trade Barriers

First of all, the Congress adopted barriers to trade. Then, of course, it is a fact that you businessmen have your clients and you cannot ignore them and say, "We want to buy from the Russians instead."

Also, there has been a recession in your economy and you have reduced your buying abroad. Under those conditions you were not in a position to increase imports from Russia. Furthermore, I should say that perhaps you do not trust our traders yet enough, although in the history of our trade with America there have been no conflicts with American businessmen. Russians like to bargain hard, but when the bargain is made they fulfill it. You, of course, are better businessmen than we are. It is not a compliment but a fact.

Denies Any Dumping

We are accused of all sorts of terrible things, of wanting to undermine your market, of dumping, and so forth.

There was no such talk before, but when you had your recession there were people who wanted to put the whole blame on the Russians, or a part of the blame. They say, "Well, the price of tin has fallen. The Russians are to blame." Those prices fell as far back as 1956, when we exported practically no tin at all, and furthermore, all the transactions are recorded. There are no secrets.

Then a firm of ours from Batumi sold some benzol to one of your firms. Some of your papers presented that as another case of Russian dumping, and said, "A gallon of benzol in America costs 28c, while the Russians sold theirs for 24c." That is dumping which undermines American economy.

I asked the official in our country in charge of these matters to explain why they weren't getting the proper price. I said, "We need American currency and you seem to be losing it through these transactions." He said, "That is a misrepresentation." Well, as a matter of fact, he said that it was both something correct and a misrepresentation. Some facts are true and not true at the same time. I said, "How can that be?" He said, "That is not the whole of the truth." He explained that 28c to 30c is the price of benzol f.o.b. U. S. railway, while "we sold it at that price in Batumi, f.o.b. Batumi."

Then he calculated the transportation costs, the interest to be paid, and the unloading in New York, and the final price would be the same. I said, "You seem to be embellishing something, that must not be the whole of the truth, probably," and he said that one of the firms "did not want to make that transaction because it was not profitable enough for them," but we prevailed upon them.

Here was a new kind of goods entering the American market from our country, and immediately there were attacks against that.

Then the total cost of the benzol sold by us was $7 million, while the press reported that it was $13½ million. Apparently the cost became doubled.

We are being blamed for the fall in the price of tin, but take copper, for instance. We have never been exporting copper, yet the price of copper in Chile, for example, has fallen twofold. Who is to blame for that? Not we, because the copper is being bought by America. It is a matter of market conditions.

As for natural rubber, we buy it, not sell it, and nevertheless the price of natural rubber has fallen considerably, too. We are not to blame for that either.

Therefore, all these fables of us being such terrible devils are not well-founded. We want to trade in earnest and do it well. We want to get as high a price on our goods as we can, and as low a price on the goods we buy, as any businessman.

As a matter of fact, the officials in our foreign trade ministry get a bonus if the transaction is a profitable one.

I have been talking much too long and I must ask you to excuse me, but I would like you to accept us as people wanting to be good businessmen in international commerce. I would like to thank all of you, first of all, Mr. Cyrus Eaton, who has become more popular in our country than any capitalist has ever been before. The speeches he made in Detroit and elsewhere, for instance, were published in full in our papers, and they said, "This is not a normal capitalist." But we have seen that the feelings of friendship toward us he has been expressing are feelings so many of you have graciously conveyed to me.

Gentlemen, the interests of peace among nations and of doing away with the fear of war is a basis on which we all can unite. May I suggest a toast to peace between our nations and to friendship between them.

New Coast Exch. Members

SAN FRANCISCO, Calif.—George W. Davis, Chairman of the Board, Pacific Coast Stock Exchange, has announced the election of H. T. Birr, III, to membership through the San Francisco Division, effective Jan. 26, 1959. Mr. Birr, Vice-President and voting stockholder of Birr & Co., Inc., will confer the privileges of his membership on that firm. H. T. Birr, Jr., President of the company, has been associated with the securities business in San Francisco for a number of years.

Philip M. Stearns has also been elected to membership through the San Francisco Division. Mr. Stearns, a general partner of the member firm of Oscar E. Dooly & Co. of Miami, Fla., has acquired membership by intra firm transfer from Emery Flinn.

W. H. Roundtree Opens

(Special to THE FINANCIAL CHRONICLE)

COCOA, Fla. — William H. Roundtree is conducting a securities business from offices at 7 Bellair Arcade.

C. E. Shaw Opens

WASHINGTON, D. C.—Clarence E. Shaw is conducting a securities business from offices at 1021 U Street, N. W., under the firm name of Clarence E. Shaw & Co. Mr. Shaw was previously with King Merritt & Co., Inc.

Railroad Securities

Carloadings Increase Forecast

The forecast of the nation's carloadings for the first quarter of this year by the Shippers Advisory Boards is for an increase of 5.9% over the like 1958 period. This should mean a good increase in net income for the first three months of this year, particularly in view of better control over expenses as compared with a year ago, despite higher wage rates.

Total carloadings for the period are estimated at 5,666,376 as compared with loadings of 5,348,268 actually handled in the like 1958 period, a gain of 5.9%.

It is interesting to note that among the largest gains forecast are for iron and steel, up 25%; and ore and concentrates, up 23.3%. This should mean that revenue and net income of the railroads serving heavy industries could have a sharp increase in the first three months as compared with a year ago. These roads would be the Eastern carriers which have been hurt by the drop in the production of heavy industry.

Of all the districts reporting, only the Northwest Board forecast a drop of loadings. This was set at 2.6% and the main reason was a foreseen decline of 11.5% in all grain loadings. On the other hand, this district set iron and steel loadings at 40.9% above a year ago. This probably will mean that earnings will be little changed, if not over those of a year ago.

The largest increase in forecast for the Allegheny District where a carloadings rise of 17.2% is expected. This is anticipated because of a pickup of some 1,900% in carloadings of ore and concentrates. Iron and steel shipments are anticipated to rise 24.7% over the 1958 quarter. Coal and coke, the main commodities handled, are estimated at 422,417 cars as compared with actual loadings of 384,696 cars in the 1958 period, a gain of 9.8%. This should add considerably to revenues for the period.

Some of the supplemental forecast items are of interest. Scrap iron and steel is placed at 26.5% above a year ago and slag 10.4% higher.

Of the individual territories the following predictions are made:

New England Board: An increase of 0.1%, with the main increase in automobiles and trucks, up 169.1%.

Atlantic States Board: Up 4.8%, with the big increase of 25.7% iron and steel.

Allegheny Board: Up 17.2%, with the increase as noted above in ore and concentrates and also iron and steel.

Great Lakes Board: Up 10.5%, with ore and concentrates and iron and steel rising sharply.

Ohio Valley Board: Up 5.3%, with practically all classifications showing improvement.

Midwest Board: Up 2.7%, with a mixed pattern but gains in iron and steel expected.

Northwest Board: A drop of 2.6%, but grain shipments are the only loadings forecast to be off to any extent.

Trans-Missouri-Kansas Board: Up 5%, with practically all classifications forecast to show some improvement.

Southeast Board: A rise of 4.6% mainly because of a gain in shipments of frozen vegetables.

Southwest Board: A gain of 2.4%, with almost all categories participating.

Central Western Board: Up 3.3%, also most classifications rising slightly.

Pacific Coast Board: Up 12.3%, with almost all items up well above a year ago.

Pacific Northwest Board: Up 3.5%, helped with a forecast gain of 4.9% in lumber and forest products.

J. Barth & Company to Admit R. E. Rhodes

LOS ANGELES, Calif. — J. Barth & Co., members of the New York and Pacific Coast Stock Exchanges, on Feb. 5 will admit Robert E. Rhodes to partnership. Mr. Rhodes will make his headquarters at the firm's Los Angeles office, 3323 Wilshire Boulevard.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Richard T. Chesson is now affiliated with Bache & Co., 130 South Salisbury Street.

Canada's Business and Financial Leaders Speak After Turn of the Year

Continued from first page

depleted supplies in that country. The annual export value of this item has surpassed the $100 million mark for the first time since 1950.

Among Canada's newer exports, sales of uranium have risen more than two-fold since last year to a figure well in excess of one-quarter billion dollars annually. With the delivery of natural gas through the West Coast transmission line the export value of this item is fast approaching the $20 million level. Within the category of manufactured goods, deliveries of military aircraft to NATO countries have added more than a $100 million to exports during the past year. Among Canada's more traditional markets, sales of farm implements to the United States have been substantially higher during 1958. Increases in the value of exports of the foregoing items have roughly offset declines in a number of Canada's principal forest and mineral export commodities. On the whole the reduction in exports of industrial materials has been relatively moderate when considered in relation to the decline in industrial activity in the United States.

Imports into Canada, on the basis of figures available to date, are about 10% lower in 1958 than in the preceding year. A more moderate pace of industrial activity in Canada and reduced outlays for plant and equipment have involved widespread declines in imports. Smaller outlays for industrial materials, machinery and related investment goods have accounted for most of the reduction in total purchasing from abroad. Some consumer good imports have declined also, particularly cotton and woollen products and North American-type cars and parts.

Geographically, nearly all of the reduction in total imports is accounted for by the fall-off in purchases from the United States. Imports from the United Kingdom, which in 1958 have included substantially larger shipments of automobiles and commercial aircraft, have held about even with the previous year's level. Consequently, Britain's share in Canada's import market has increased from 9% to 10%. Purchases from other major overseas trading areas also have been reasonably well maintained. To this extent the reduction in Canada's requirements from abroad has not reacted to the detriment of her principal overseas customers.

A sustained level of merchandise exports, and lower imports, has entailed a substantial decline in Canada's merchandise deficit which for the first 10 months of the year stood at $242 million compared with $733 million for the same period in 1957. Most of this reduction has occurred in the commodity deficit with the United States which has declined from $983 million to $589 million. On the other hand Canada's imbalance on non-merchandise items, such as tourist expenditures and interest and dividend payments, has been increasing. For the first nine month of 1958 Canada's deficit with the rest of the world on all current transactions amounted to $795 million compared with $1150 million in the same period of the previous year.

Capital Investment

At mid-1958, capital spending plans, both private and public, provided for outlays of $8.5 billion in 1958. Housebuilding has proceeded more rapidly than anticipated at that time. Capital expenditures of other types appear to have reached and possibly exceeded the level previously indicated. Over-all capital outlays for the year may fall but little short of the record $8,700 millions spent in 1957.

Though little changed in total, there has been a substantial shift in the composition of capital outlays in 1958. Much of the recent build-up in mineral and forest product industries had been completed by the end of 1957 and expenditure of this type has been down substantially. On the other hand large outlays have been involved in the late construction stages of the St. Lawrence Seaway and the Trans-Canada gas pipeline system. Power development also has held close to the record pace of last year. Expansion in the fields of trade, finance, and other service industries has continued at an undiminished rate. At the same time institutional and government building has continued upward in response to the growing need for additional facilities.

Most noteworthy of all has been the spectacular rise in housebuilding. It is estimated that housing starts for the year will approach the 160,000 mark, 30% more than last year and well above the previous record of 138,000 units in 1955. Close to 150,000 dwelling units have been completed. A much increased carryover of unfinished houses at year-end will give an important lift to employment during the winter. The current upsurge in housing activity began in the latter part of 1957. At that time minimum requirements for loans obtained under the National Housing Act were relaxed and large federal sums were made available for mortgage purposes. An important factor contributing to the sustained high level of housebuilding throughout 1958 has been the improved availability of mortgage funds from private sources.

Prospects for the Coming Year

Of the industries principally in the durable goods and export processing areas, which had previously suffered a decline, most experienced some degree of improvement by the end of 1958. In aggregate terms the pick-up in production to date has been quite moderate. There is, however, strong indication of a further expansion in market demand. Partly as a reflection of this improvement and also contributing to it is the fact that inventory liquidation is now coming to an end. In the first part of 1958 the tendency to meet orders by a drawing down of stocks was quite prevalent throughout a broad segment of Canadian industry. Conditions in this respect still vary from one trade to another. On balance, however, it now appears that the full impact of market demands are being reflected in new orders at the producer level.

Operating levels are rising in a number of industries and this, in turn, is having a favourable effect upon earnings. In the months immediately ahead this underlying improvement will be masked by the customary winter slow-down in outside operations, accompanied by a relatively high level of unemployment. Nevertheless, construction activity is likely to be higher than usual this winter, partly due to the record carryover of unfinished houses and also as a result of the special measures which have been taken to stimulate off-season work.

The strength of further recovery will depend in large part upon external influences. In this regard, recent economic developments in the United States are encouraging. Production, in that country, has already recovered nearly all of the previous decline and employment, after making allowance for usual seasonal changes, is now moving upward. Moreover, the present upswing appears to be broadly based and prospects of sustained expansion are generally considered to be good. Increased activity in the United States will, in turn, reinforce measures being taken internally in other industrialized countries to stimulate stronger rates of growth. Recent additions to hard currency reserves means that, in a number of these countries, some rise in domestic consumption could occur without strain on foreign balance positions.

In these circumstance some upturn in world demand for industrial material is likely to occur during the coming year. With greatly increased capacity in export industries and expanded reserves of proven resources, Canada is better equipped than ever before to meet increases in requirements from abroad. For the present many of the commodities of importance in Canada's export trade are in ample supply and this is being reflected currently in export levels. In general, export markets may be expected to strengthen as the year passes.

In recent months new capital expenditure plans have been appearing increasing volume. In terms of the actual amount of physical capital being put in place, this rising volume of new work may not for a time fully compensate for the termination of work on large projects now being completed. What is presently known of capital expenditure plans for 1959 indicates that business investment will be up in some sectors but moderately down in total. However, a period of improving business conditions tends to encourage the creation of new expansion programs and the speeding-up of existing ones. In the current situation there is likely to be a further filling out of business investment intentions affecting the short as well as the longer term.

Meanwhile, outlays for institutional building and public projects are continuing to increase. In aggregate, capital spending in 1959 may be only slightly less than in the current year. A further rise in the proportion of total outlays spent on building construction, as opposed to engineering construction and industrial equipment, appears probable. This means that the domestic content of the program will remain relatively heavy.

Perhaps the sharpest impetus to demand in the period immediately ahead will come from the consumer. This new punch may be sparked by the resurgence of consumer interest in durable goods, particularly automobiles, sales of which have been lagging in the last two years. Also the rising volume of housing completions will give further momentum to the upward trend in purchases of home appliances. New incentives to buy will be reinforced by the improved financial position of consumers and the continuing rise in personal incomes. These conditions augur well for the enterprising retailer.

All in all, the current improvement in economic conditions is proceeding on a sound basis. The upward movement of wage rates has moderated, but employment prospects are improving and purchasing power at the disposal of the wage earner is being maintained. Prices of materials have firmed, but with capacity being ample have not surged upward. At the same time, output in many industrial establishments is moving closer to the optimum level of plant operation. These developments should help to some recovery in business earnings. The market forces which have been described give promise of a progressive increase in physical demand, yet give little indication of an upsurge of boom proportions. In the continuation of such a balanced improvement lies the hope of achieving prolonged and steady growth.

D. W. AMBRIDGE

President, Abitibi Power & Paper Company, Limited

D. W. Ambridge

While it is entirely likely that the output in tons of the Canadian pulp and paper industry will be higher in 1959 than it was in 1958, it is also entirely unlikely that the industry's earnings will be any higher.

The cost squeeze will be very apparent when all the wage rate increases and freight rate increases are in full operation, as they will be in 1959.

It may, of course, be possible that the deficit financing which is now going on in Ottawa will lower the value of the Canadian dollar which will to a small extent offset the damage done by the cost increases which have been imposed on the industry.

A. J. ANDERSON

President, Frobisher Limited

As we turn the corner into 1959 it is stimulating to note that the business world enters the New Year with an air of quiet confidence and restrained optimism. In the year just completed the direct forecasts of the most confirmed pessimists have been proven to be without foundation. The depths of the 1957-58 recession, which to no small degree was brought about by contagious repetition of those very forecasts, have been plumbed and found to be shallow. It is now safely apparent that in the past 18 months we have been exposed to nothing more than a vitally necessary and inevitable period of readjustment and consolidation in the business cycle.

Allan J. Anderson

After more than 10 years of almost feverish endeavour on the part of world industry to meet the urgent demand resulting from war-made shortages of goods of every sort, it was inevitable that the pendulum would swing too far. Stimulated by prices, at artificially high levels for a variety of reasons, productive capacity was hastily created—often in circumstances which could not bear the cold scrutiny of normal economic conditions. In the mining industry this was particularly so. Mines were enthusiastically developed on mineral occurrences of marginal character. Output in every branch of the mineral industry surged upward with the result that, when shortages had been met and world inventories replenished, miners of almost every commodity have found themselves with productive capacity surplus to the current actual consumptive requirements of industry. Similarly, a parallel course of events took place in other fields of industrial endeavour.

Over the past two years fanciful fiction has been overtaken by fundamental fact. Rather than be designated as the 1957-58 recession, the period might better be termed "the years of reckoning." After years in enforced restraint the basic law of supply and demand re-asserted its predominant control of the business world, thereby creating circumstances in which only the fit could survive. There have been and will still be casualties but, by and large, the process of economic selection has achieved the necessary result, weaklings and the opportunists have fallen by the wayside and economically sound enterprise invigorated by an invaluable breathing spell, is gearing up to resume the climb to higher and more stable ground.

In retrospect it is obvious, therefore, that far from being calamitous the period through which we have just passed has provided industrial enterprise with a much-needed opportunity for critical self-appraisal and vital re-orientation of outlook. Valuable lessons have been learned. Cogninance has had to be taken of basic business precepts, all but forgotten during the hectic postwar years. The return to the highly competitive situation created by a buyer's market has cultivated an increasing consciousness of the essentiality of careful cost control and high productive efficiency.

Perhaps the most significant outcome has been the clear-cut demonstration of the vital necessity for labor and management to work in ever closer collaboration for the common good. In fact, the very continued existence of our North American system of free enterprise will depend increasingly on the sympathetic cooperation of all the factions which go to make up our industrial team. Free world industry today faces an unprecedented threat in the subversive economic warfare being waged by the Communist group. The rapidly expanding productivity of Russia and its satellites, which benefits from the employment of near-slave labor and accounting practices geared to political expediency, is a matter of grave current concern in many of our most important fields of industry. If these latest malicious stratagems are to be nullified, and our system of free enterprise be sustained, the best concerted, harmoniously cooperative effort of each individual in American industry will be required.

At this New Year let us, each one, give grateful thanks to a kind Providence for the blessings which we

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Helpful Investment Guides

By WILLIAM L. WARNER*

Manager, Modesto, California, Office
Dean Witter & Co., Investment Bankers

Mr. Warner provides a series of guides for attorneys who are called upon to advise their clients about investment. Drawing upon his business and academic teaching experience, he provides a portfolio planning sheet which classifies potentialities of industrial groups as stable, average and cyclical, and, in turn, subdivides them into superior, good and average growth. He also presents a composite list of industries believed to have a superior outlook and suggests, as the final step, use of brokers as "expert witnesses" in selecting particular companies

Brokers have often been accused of practicing law so it's only fair that members of the bar should have an equal opportunity to advise investors. It is appropriate that a few words should be devoted to investment theory. Surveys by the Stock Exchange show that many consult with lawyers or with bankers before they see us, and often it is their thinking which decides the investment pattern. When asked for investment advice what should it be? To begin with, I am not going to forecast the probable future level of the Dow Jones Averages. In a recent issue of the *Commercial and Financial Chronicle*, Roger Babson shows the folly of this practice. Mr. Babson writes "I was wrong in my forecast a year ago, the Dow Jones Averages—especially the Industrials—sell higher."

William Warner

What I **will** say is that the averages are going to have smaller declines in future years than in the past. This trend has been in evidence as far back as 1917 and seems likely to be more emphasized in the future. If the government continues to offset cyclical downturns in the private sector of the economy—by action in the public sector—the possibility of longer declines in corporate earning power is slight. Not only do I observe a leveling effect on stock prices from this leveling of earnings, but, in addition, long-range buying of stocks by institutional investors tends to smooth stock price charts even more than charts of company earnings. Thus, institutional buying tends to be increased when a given stock becomes "cheap" whereas only normal amounts are bought on price bulges or buying in the issue is deferred entirely. That this practice will flatten the peaks and fill in the valleys of stock price charts is obvious.

Institutional investors are not alone in buying stocks of leading companies on a dollar-averaging basis over a span of years. Individuals are also accumulating investments by making monthly or quarterly purchases. Mutual funds shares are particularly appropriate for this purpose. They provide sophisticated selection, continuing supervision and adequate diversification, all at a cost no greater than a comparable do-it-yourself portfolio would require. Details of their operation are available in convenient booklets which we call a prospectus. One should become familiar with those funds having good records.

Your client seeking advice is more likely, however, to be wondering about the handling of a list of securities which he owns, or perhaps about the investment of lump sums of capital from which substantial income is needed—what advice can we give him, assuming he does not prefer to use a mutual fund?

Two things can be done to help such a person. One is to identify for him those industries, which historically have been appropriate solutions for his investment problem whether it be provision of income, capital gains or freedom from worrisome price fluctuations. The other is to advise him as to the relative cheapness of those appropriate industries in order that he might put his money to work in those areas where earning power, book value and organization can be currently purchased at a reasonable price. We have aids for each of these problems.

Aid number one for the perplexed client is the "Portfolio Planning Sheet." This chart, described below, contains nearly every industrial grouping of importance. By its position one can discover the general merits of the stocks of that industry for growth, and for stability.

Portfolio Planning Chart

STABLE INDUSTRIES

Superior Growth:
- Finance
- Grocery Chains

Good Growth:
- Electric Utility
- Insurance
- Natural Gas Products & Pipes
- Water Distribution

Average Growth:
- Baking, Dairy, Foods
- Banking
- Nat'l Gas Distribution
- Soft Drinks
- Telephone
- Tobacco
- Variety Store

AVERAGE INDUSTRIES

Superior Growth:
- Air Conditioning
- Electric Equipment
- Glass Specialties
- Materials Handling Equipment
- Oils (Int'l) Petrochemical
- Paper and Packaging
- Photo Equipment and Plastics
- Prefabricated Housing
- Tire and Rubber

Good Growth:
- Atomic Energy
- Building Supply, Paint
- Chemicals and Drugs
- Containers
- Fertilizers
- Flat Glass
- Highway Transportation
- Machinery
- Metal Fabricators
- Office Equipment
- Oils (Domestic)
- Printing and Publishing
- Soaps, Vegetable Oils
- Steel and Iron
- Textiles
- TV Broadcasting

Average Growth:
- Apparel
- Brewing
- Confectionary
- Drug Chains
- Gold
- Milling
- Shoes
- Sugar

CYCLICAL INDUSTRIES

Superior Growth:
- Aircraft Manufacturing
- Aluminum and Light Metals
- Helicopters
- Missiles

Good Growth:
- Air Transport
- Auto Parts
- Coal
- Fertilizers
- Machine Tools
- Non-Ferrous Metals
- Railroad
- Radio-TV, Appliances
- Truck Manufacturing
- Shipping, Shipbuilding

Average Growth
- Agricultural Machinery
- Automobile
- Distilling
- Floor Covering, Furniture
- Mail Order
- Meat Packing
- Motion Pictures
- Railroad Equipment
- Specialty Stores

Note: Area growth and company position in the industry (whether dominant or marginal) can shift a holding into an adjacent category. Attention must also be given to position in the cycle (level of stock prices and business generally), and to industry position, notably the level of industry sales within the industry cycle.

This chart can be only an approximate guide, of course, and the footnotes are important to its use, but it serves very well those whose understanding of the market is undeveloped. It will help the novice to see differences between utility issues, for example, and rail equipment or machine tool companies.

Once we have acquainted the client with the general suitability of a particular group of industries for his purpose, whether it be growth, stability or cyclical fluctuation potential, there remains the problem of helping him to select those which are also "cheap," or reasonably priced in relation to the balance of the market. To do this I refer you to aid number two, a composite list of industries believed by various sources to have a superior outlook for 1959 together with a figure showing the position of the industry.

Stable Groups	
Utilities	— 7%
Banking	—12
Average	
Chemical	—17
Retail Trade	—20
Rayon	—60
Textiles	—30
Cyclical Groups	
Farm Machinery	—20
Automobile	—21
Mail Order	—18
Rails	—16
Non-Ferrous Metals	—21

The index figures show how much lower these groups are than the general market. Each industry would have to sell higher by the indicated percentage to occupy its "normal" position in the market. Needless to say the market always has some groups "ahead" and some "behind, the averages." It is remarkable though how regularly the laggards of one year become the leaders of the next. (For documentary evidence of this I refer you to the various studies of industry performance published by Standard & Poor and to studies of annual performance by stocks in the Dow Jones Averages.)

The final step in advising your client is of course the selection of the particular companies whose stocks are to be purchased. Space does not permit a discussion of how you might do this—indeed this probably marks the point where we brokers must be brought in as "expert witnesses."

Your client, if he be an investor rather than speculator, is interested in the income he can earn and the investment values his capital can command. With these aids I believe you can materially assist him to a wise choice on both counts. Purchase of depressed groups is one way to get book values, working capital, and general investment quality in exchange for one's investment dollar. It may not afford as much entertainment as will the purchase of yesterday's most active stock (at the high of the year) but it often provides a more satisfactory long-term result. Attorneys are well aware that speculative advice and prudent counsel don't go together. Therefore, if you do advise your clients about investing, I counsel you, let it be prudent!

*From a talk by Mr. Warner before the Stanislaus County Bar Association, Calif., Jan. 5, 1959.

Southland Holding

(Special to THE FINANCIAL CHRONICLE)

PALM CITY, Fla. — Southland Holding and Brokerage Corporation is engaging in a securities business from offices on East Ninth Street. Officers are L. I. Simmons, President, and F. S. Scribner, Secretary-Treasurer.

With Pitser & Co.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—John W. Caffey is now connected with Pitser & Company, 615 Hillsboro Street.

Continued from page 20

enjoy as members of this North American community. Let each take the firm resolve to make the maximum personal contribution, physically and mentally, during 1959 and the years to follow, to the end that we and our children may continue to savour, to the fullest possible extent, the enjoyment of this way of life.

HARRY C. ASHDOWN

President, The J. H. Ashdown Hardware Co., Ltd.

I would say that certainly the trend of business is up at present, and it is probable that the first six months of 1959 will see higher sales in the wholesale hardware trade in Western Canada than was the case in the corresponding period of 1958. I would not care to forecast any further ahead than that. I am assuming that our government will continue to sell good quantities of our wheat.


H. C. Ashdown

There is apparently a good supply of money in the three Priarie Provinces, and collections have held up well. The economy of this territory is becoming increasingly diversified all the time. Unfortunately the increased freight rates, made necessary by the demands of the railway unions, will of course mean higher costs and prices all around, and will press with particular severity on the consumers in this part of Canada.

By the law of averages, industry in British Columbia should be better than in 1958. Decreasing export markets for forest products, plus a record dry summer, severely reduced sales to the industrial trade, while crippling strikes in major industries reached serious proportions and resulted in the loss of millions of dollars in wages and a definite setback to the whole economy of that province. Unless there is some improvement in this regard the industrial development of British Columbia may be seriously retarded.

A. C. ASHFORTH

President, The Toronto-Dominion Bank, Toronto, Ont.

The general picture of what Canadians can expect in terms of their economic well-being in 1959 is slowly unfolding. It is not one of robust growth such as we experienced during the period 1954-56, but in view of some of the excesses which accompanied that boom and the unpleasant after effects a period of less breathtaking expansion is much to be desired.


A. C. Ashforth

We are gradually moving out of a recession which was characterized more by the inability of the economy to provide new jobs for a rapidly growing labor force than by a falling off in total output—the Canadian index of industrial production fell only 7% from peak to trough, and Gross National Product never showed a material decline even on a quarterly basis. We were heartened by the resiliency in the Canadian economic fabric — in particular by the strength in our export markets during a period when world commodity trade was softening. Canada has a greatly diversified range of products to offer to the world and it was this diversification which maintained our export sales in 1958. At the same time the consumer in Canada whose income was bolstered by social benefit payments lent a good deal of support to the economy last year. It was a year of problems, however, some of which are still unresolved. Our unemployment figures were high and it was disconcerting to witness consumer prices rising throughout the recession. There was less incentive to expand our resource industries and, consequently, private investment declined moderately from the 1957 level—though it exceeded 1956 and earlier years. Canadian businessmen also reduced their stocks of goods, which had a dampening effect upon production.

In this first month of the new year we can already see the ingredients of improvement over 1958. We do not expect that capital investment will provide any new push to the economy in 1959, and private business expansion may very well decline moderately again. However, construction activity over-all should compare favorable with the experience of 1958. The business community appears to have ended its inventory liquidation and may now do some rebuilding, which will lift production generally. There will likely be some improvement in our traditional exports as recovery proceeds in the U.S.A. and other countries. The average Canadian consumer will likely raise his expenditures during the next 12 months. Not only is his credit in better relation to his income now, but his savings are in excellent condition. The consumer may well hold the key to how much growth Canada has this year.

Despite much talk of recession and recovery, none of the foregoing should suggest that Canada is standing still. From Newfoundland to British Columbia, the pride of living in a land where so much is being done with material resources has been little dampened by events of the past year. Indeed one of the proofs of the growing contribution which Canada will make to rising world production and trade is the continuing development of our forest, mineral, and energy resources. These national assets do not necessarily mean that 17 million Canadians are living in the promised land, but it is nevertheless a land of great promise.

GORDON R. BALL

President, Bank of Montreal

It is a source of satisfaction and reassurance that the recession of 1957-58, which in many ways threatened to become the most serious of the postwar period, did not gather momentum and reach unmanagable proportions. Once again the prophets of depression have been belied by events. But in some respects the influences that brought on the recession, and were associated with it, are still present. The revival of activity is still not broadly based in terms of expanding export markets or renewed growth of productive capacity and is far from being shared by all industries. The presence of higher unemployment in the face of rising output is a constant reminder that there are still deficiences in the economy. Such turbulent cross-currents suggest that, although the worst of the troubled waters may lie behind us, all is not yet clear sailing ahead.


Gordon R. Ball

The Dilemma of Fiscal Policy

Of no little consequence in the economic improvement that has taken place in recent months, and a second noteworthy feature of the past year, has been the hand taken by government. Without such support, business conditions would undoubtedly have deteriorated more than they did. The government's outlays now play so large a role that it cannot take the neutral position of a balanced budget year in and year out that was once considered its proper place. For the state to supplement private spending power as a means of bolstering a sagging economy, and if need be incur a deficit in doing so, is nowadays taken for granted. But, by the same token, neither should it persist in overspending once the need for such stimulus is past. The difficulty is that government spending programs tend to take root. Once started, they are not easily stopped and may, indeed, inevitably grow with the population. The current deficit is in part a consequence of such committed payments, which cannot readily be altered as a counterpoise to the business cycle.

Inflation — The Cheater

The magnitude of this year's deficit is an unfamiliar experience for this country and, in conjunction with the expansion of the money supply, has raised questions in many minds concerning the implications for the long-term value of money. This leads me to what I regard as another distinctive feature of the past year—the persistent rise of consumer prices in the face of wholesale price stability, surplus industrial capacity and rising unemployment. There seems to be no simple explanation of this apparent anomaly. But it is an undeniable fact. And it is becoming a source of disquietude among a growing number of people. I do not propose to dwell on the manifold evils of inflation, for I have often spoken of them in the past and they are, as I say, becoming more widely felt and recognized. I would, however, add one or two further thoughts.

The increase in the money value of our national output last year has been entirely a reflection of price advances; in quantitative terms we have been turning out no more goods and services than in 1957. It brings the matter even closer to home to realize that the personal income, after taxes, of the average Canadian, although 8% higher in dollars, will purchase very little more than it did *two* years ago.

To this I would add the thought that the present rate of advance in consumer prices, which has averaged nearly 3% in 1958 over 1957, would, if it were to continue, cut the purchasing power of money in half in about 25 years. And 25 years is itself only about half the average working life during which a breadwinner may provide for his retirement. Nor is this calculation a mere matter of unrealistic conjecture. The consumer price level in Canada has in fact doubled, and the value of our dollar has in fact been halved, in the past 21 years.

Sound Money — Everybody's Responsibility

Surely no stronger reminder is required of the need to place stability of prices at the forefront of our national economic aims. And I mean national in the very broadest sense. Inflation is everybody's business. Sooner or later a country gets the kind of currency it deserves. The temptation for governments to spend for political rather than economic reasons; a disposition by labour to bargain for higher wages than are justified by productivity and by management to set prices at more than the traffic will bear; a public indifference to the problems of national financing and national costs created thereby; these are the acids that eat away the purchasing power of a currency.

It is particularly important, at present, that the government should make it clear, in action as well as word, that the safeguarding of the integrity of the dollar will take a prominent place in its policies. I believe not only that such a stand is highly desirable, but that the time for taking it is highly opportune.

A Propitious Time to Act

With business activity in this country, and also in the United States, now clearly on the rise, the need for aggressive budgetary and monetary stimuli has diminished. And the task of refunding large maturing issues of government securities, to which monetary policy has been noticeably adapted in 1958, has been lightened by the success of the Canada Conversion Loan. I may say that our facilities were used to the greatest possible extent to assist in this operation.

I recognize, of course, that even with the most resolute determination we are not wholly the masters of our own price level in Canada. But here, too, the auguries are favourable, for the existence of sufficient supplies of virtually all internationally traded commodities makes it unlikely that a general rise of world prices will conspire against the attempt to hold the line at home.

What is more, these very conditions of world trade underscore the need to ensure that Canadian products represent good value, which is the only sound basis for maintaining and improving Canada's position in world markets.

Let us resolve and work together, then, to stop this treadmill of inflation, for it is a race in which one must run to keep even and a race that nobody wins.

HON. WILLIAM ANDREW CECIL BENNETT

Premier of British Columbia

British Columbia celebrated its 100 anniversary in 1958. At this historical vantage point we stop to survey our achievements and turn a searching eye toward the future. The rate of our industrial development has been quickening with each decade since the boats of the first gold miners and lumbermen touched the shores of the Pacific. The economy is now coming of age. Great industrial enterprises based on bountiful mineral deposits, huge stands of merchantable timber and enormous reserves of water-power have come and are coming into being.


Hon. W. A. C. Bennett

During the past decade the world-famed Kitmat development took place. There the Aluminum Company of Canada undertook a daring scheme of damming Nechako River with the great Kenney Dam (third largest rock filled dam in the world), drilling a 10-mile tunnel through the mile-high mountains, then letting the water of the great new storage basin drop 16 times the height of the Niagara Falls to a powerhouse inside a mountain near sea level some 50 miles from the aluminum smelter's site. By the beginning of 1957 the first stage of this development began operation with power installations rated at 150,000 H. P. Ultimately, power installations will reach 2,400,000 H. P. The Trans-Mountain Oil Pipeline was concurrently built to carry oil from the Alberta fields to the refineries and docks of the Coast. Abundant supply of oil spurred construction of modern refineries about the city of Vancouver. There are now four refineries, the last one opening in 1958.

The year 1957 saw the completion of the 650-mile natural gas pipeline from the gas fields of Northwestern Alberta and the Peace River Area of British Columbia.

Among notable projects—presently in the planning and survey stages—is the huge integrated power and minerals and wood processing development in the Rocky Mountain Trench in the northern British Columbia. There the Wenner-Gren B. C. Development Co. Ltd. has already spent over $6,000,000 on extensive economic and engineering studies of the area's potential. A preliminary report indicates that even one single hydro-power site on the Peace River will be able to deliver over 4,000,000 H. P. of energy to the industry of the Province.

The close ties of British Columbia's development with that of the Pacific Northwest of the United States is seen in another hydro-project, but this time in the southeastern part of the Province. A single dam on the Columbia River will allow installation of 1,500,000 H. P. of electric generating capacity in Canada, and at the same time will increase potential Columbia River power by 1,600,000 H. P. in the United States.

Hand-in-hand with private projects for developing the vast potential of this Province, goes the transportation policy of the government. Developmental highways are being planned and built in the areas promising greatest returns in the future. The Stewart-Cassiar Road, in the northwestern part of British Columbia, leading toward Yukon may be extended to Atlin, in a line roughly parallel to the Alaska Panhandle and extending its full length. This road will tap the untold mineral wealth of the area, as well as make another 6,000,000 H. P. of electrical energy available for heavy industrial development both in British Columbia and in Panhandle area of Alaska.

The "Pacific Great Eastern" Railway, owned by the Government of British Columbia, is operated mainly to develop the northern areas of the Province. During the past six years about $130,000,000 has been spent on modernizing the railroad and extending it over 300 miles north through Prince George to Fort St. John. At the same time the southern end of the line was extended 40 miles to a terminus in Vancouver, thus connecting northern and central British Columbia with transcontinental lines at three points.

The creation of a sufficient energy base and transportation facilities provides fertile ground for secondary manufacturing and processing. British Columbia was already one of the world's major producers of newsprint, but still more pulp and paper plants have been built and the old ones enlarged during the last decade. There are plans to build new pulp mills in the Interior of the Province. Development of the oil industry is seen in the new refineries built at Vancouver, and in the Interior of British Columbia. The pattern of Industrial Estates, where integrated facilities for growth of a variety of

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Public Utility Securities

By OWEN ELY

Carolina Power & Light Company

Carolina Power & Light serves electricity to about 200 communities in North Carolina including Asheville, Wilmington, Raleigh and Goldsboro. Some 24 municipalities are supplied at wholesale. Population in the area is over 2,000,000. Cotton and tobacco are important crops, but industrial activity has been gaining rapidly. Products include textiles, electronics, munitions, boilers, paper, chemicals and food products.

The company's 1957 Report stated: "Fortunately the area served by the company is blessed with tremendous possibilities for growth. Investment in new industries and expansion of existing industries announced for the area during 1957 showed a gain of approximately 50% over the preceding year. Much of the new industrial development is in the Tidewater area.

In spite of the increase in industrialization, only about 22% of revenues are industrial (over half are from textile manufacturing). Residential and rural business contribute 47%, commercial 17% and wholesale 9%.

About 18% of output is generated by hydro, and with efficient steam generating capacity residential rates are low and usage high. In 1957 average residential revenue per kwh. was only 2.05c, about 20% below the U. S. average, and average residential usage of 4,539 kwh. was 43% above the national average. During the 12 months ended Sept. 30, 1958, usage increased 396 kwh. (compared with a gain of 260 kwh. in the year 1957) bringing the annual amount up to 4,839 kwh.

Net capability of generating plants at the 1957 year-end was 1,000,000 kw., of which 187,000 kw. was hydro and an additional 211,000 kw. was available through purchased-power contracts. A new 175,000 kw. unit was added in mid-summer 1958, bringing total available power to 1,386,000 kw. Peak load in 1957 was 972,000 kw. The installation of this new equipment should reduce the amount of purchased power and presumably will benefit overall efficiency with resulting favorable effects on earnings. About 70% of higher costs resulting from increased unit prices for coal are recoverable through automatic adjustment clauses in rates for larger industrial and commercial customers.

The company expended over $22 million for construction in 1957 and a comparable amount was budgeted for 1958. At the end of 1957 long-term debt was 43% of capitalization, preferred stock 14%, and common stock (5,330,000 shares outstanding) 43%. The company sold $20 million 1st 4⅛s of 1988 in March, 1958, which had the effect of reducing the equity ratio moderately. However, the latter should still compare favorably with the general average.

As indicated in the table below, the company has enjoyed a favorable growth record with revenues increasing 133% since 1948. Share earnings have more than doubled and the common stock has more than tripled in price during that period.

In the 12 months ended Sept. 30, revenues increased at the rate of 6% over the previous period, despite some decrease in industrial revenues in the first half of 1958. However, for the September quarter, industrial sales made an improved comparison with 1957.

Share earnings for the calendar year 1958 were $2 compared with $1.85 in the previous year, a gain of 8%. This was an excellent showing, considering the loss of industrial business in the first half. However, the company was probably favored by good hydro conditions; operating expenses (other than maintenance, depreciation and taxes) increased only 1% during the 12 months ended Sept. 30, indicating fuel savings. However, indications were that hydro was less favorable in the month of October than in the same month of 1957, and the calendar year earnings were 1c lower than for the 12 months ended September.

The stock in January has advanced to a new high of 41¼ and more recently has been around 40. At the latter price, the yield is 3.3% and the price-earnings ratio 20.

* * *

Year	Revenues (Millions)	Common Stock Record* Earnings	Dividends	Price Range
1958	$70	$2.00	$1.32	39-25
1957	67	1.85	1.20	26-22
1956	63	1.64	1.10	28-23
1955	58	1.70	1.10	26-23
1954	54	1.63	1.00	26-20
1953	52	1.50	0.99	23-17
1952	48	1.47	0.95	20-16
1951	45	1.39	0.95	17-14
1950	39	1.40	0.95	16-13
1949	33	1.22	0.95	16-13
1948	30	0.99	0.95	15-13

*Adjusted for 2-for-1 split in 1954 and 5% stock dividend in 1953.

Con Edison Offers 4% Debs. to Stockholders

Consolidated Edison Co. of New York, Inc. is offering the holders of its common stock of record Jan. 26, 1959 rights to subscribe at 100% for $59,609,500 of 4% convertible debentures, due Aug. 15, 1973, at the rate of $100 principal amount of debentures for each 25 shares of common stock then held.

The debentures are convertible on and after May 1, 1959 at a conversion price of $61 per share payable by surrender of $100 of debentures and $22 cash in exchange for two shares of common stock.

An underwriting group headed jointly by Morgan Stanley & Co. and The First Boston Corp. will underwrite the offer which will expire at the close of business on Feb. 13, 1959.

The proceeds from the sale will be applied by the utility company to the payment of an estimated $53,000,000 of short-term bank notes, and the balance toward payment for additions to utility plant after Nov. 1, 1958.

In connection with the proposed financing the company reports it is engaged in a construction program which will involve expenditures estimated at $1,000,000,000 for the years 1959-63. This includes the proposed acquisition of three power plants owned by the City of New York which serve the Transit Authority subway systems. The major expenditures for electric plant would be $465,000,000 for turbo-generators and associated equipment and $449,000,000 for transmission and distribution system additions.

The company is a public utility company engaged in the generation, manufacture, purchase and sale of electricity, gas and steam. It supplies electric service in the Boroughs of Manhattan, The Bronx, Brooklyn, Richmond and Queens excepting the Rockaway District and in Westchester County excepting its northeastern portions; gas service in the Boroughs of Manhattan and The Bronx, in the First and Third Wards of Queens and in the more populous parts of Westchester County; and steam service in a part of Manhattan. Approximately 80% of the company's operating revenue is derived from sales of electricity, approximately 15% from sales of gas and approximately 5% from sales of steam.

For the 12 months ended Oct. 31, 1958, total operating revenues of the company amounted to $571,502,000 and net income applicable to common stock to $54,404,000, compared with $552,669,000 and $47,121,000 for the calendar year 1957.

Ben H. O'Hara With Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Benjamin H. O'Hara has become associated with Harris, Upham & Co., 912 Baltimore Avenue. Mr. O'Hara was formerly Vice-President in the bond department of Commerce Trust Company, with which he had been associated for many years.

Joins Barret, Fitch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Edward K. Owen has joined the staff of Barret, Fitch, North & Co. Incorporated, 1006 Baltimore Avenue, members of the New York and Midwest Stock Exchanges.

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secondary manufacturing plants are provided under private enterprise system, has been successfully introduced into British Columbia during the last few years adding incentive to new plants for such local manufacture of copper and aluminum products.

The past year, on the whole, has been a year of consolidation for the Province's economy. The North American recession was reflected in British Columbia through a drop in production, industrial sales, and capital investment, but there was strength in the forest industry. With the exception of logging, the lumber, plywood and pulp and paper industries had a much better year than had been expected. Prices and markets remained very competitive, but production and sales were satisfactory. The fishing and agriculture industries enjoyed a prosperous year. On the other hand, the value of mining, dependent as it is upon foreign markets, especially on those in the United States, declined. As an offset, provincial natural gas and oil production, showed a marked increase over the previous year's levels.

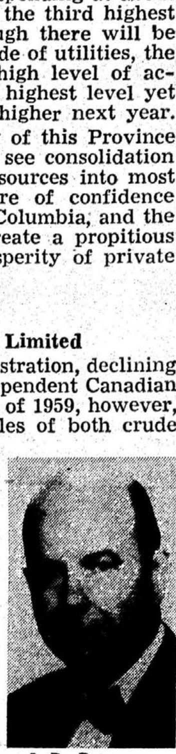
Business expectations for the next year, derived from a survey of corporation executives, are bright. From all indications 1959 will be a year of general improvement, although somewhat higher labor and material costs, and competition may affect some industries. The forecasts for the next year indicate investment spending at about the same level as in 1958 (which was the third highest in British Columbia's history). Although there will be no immediate large scale projects outside of utilities, the construction industry is expecting a high level of activity. Retail trade in 1958 was at its highest level yet and the total is expected to go even higher next year.

Thus the prospects for the economy of this Province look promising in 1959. The year will see consolidation of gains and channeling of surplus resources into most effective use. There is an atmosphere of confidence among the business leaders of British Columbia, and the government, for its part, strives to create a propitious environment for the growth and prosperity of private enterprise, be it large or small.

J. D. BATEMAN

President, Sarcee Petroleums Limited

The past year was highlighted by frustration, declining markets, and uncertainties for the independent Canadian petroleum company. At the beginning of 1959, however, we can look forward to improved sales of both crude and natural gas with much more confidence than we have been able to generate during the past 12 months. The Pacific Northwest market for crude was lost to offshore competition prior to the voluntary U. S. restrictions on imports of foreign oil. The preliminary report of the Borden Royal Commission threatened excessive regulatory powers over the Canadian petroleum industry, and the major refiners were unanimous in their opposition to the proposed crude pipeline from Alberta to Montreal.



J. D. Bateman

Despite these discouraging events exploratory drilling continued at a high level, resulting in important new oil and gas discoveries that will stimulate development drilling in Western Canada throughout 1959. The new 60:40 profit split decreed in Venezuela is estimated to give Western Canadian crude a competitive advantage of as much as 70 cents per barrel in the Montreal refining area, thus greatly increasing the incentive to construct a $350,000,000 pipeline 2,000 miles in length.

The completion of the Trans-Canada gas pipeline to eastern Canadian markets has initiated revenue from susbtantially growing natural gas reserves that have been shut-in for many years. These conditions, and the anticipated Borden Commission favorable recommendation on the export of natural gas to the United States, may well revitalize the Canadian petroleum industry during the coming year.

The economic necessity for a crude pipeline to Montreal canont be overestimated in considering the economic survival of the western Canadian independent producers. A large part of the exploratory stimulus is provided by this group of independents, who must find markets for their oil in the face of comeptition of the alternate foreign sources of the major refiners.

The greatest plea I should like to make at this time is the necessity to integrate the North American crude supply in the common interests of sensible economics and national defense. Sensible economics—because the U. S.—Canadian boundary transgresses natural trade and supply routes. National defense—because, in an emergency restricting sources of off-shore oil, our survival depends on the integration of continental sources of petroleum products. No one action in 1959 could do more to integrate the North American petroleum industry than the abolition of restrictions and duties on pipeline oil across the international boundary.

JOHN BENE

President, Western Plywood Co., Ltd.

We anticipate that the volume of plywood sold in 1959 will be equal or slightly less than in 1958. Prices should increase by about 5%. On the west coast, management will have great difficulties dealing with a more aggressive and dissatisfied union management, and the prospects are that there will be a lengthy strike about the middle of the year.

We do not anticipate an appreciable increase in overall capacity in the industry during 1959, but believe that spending for equipment to make operations more efficient will be at a higher level than during the previous year.

R. C. BERKINSHAW, C.B.E., LL.D.

President, The Goodyear Tire & Rubber Company Of Canada, Limited

Although the overall rate of growth in economic activity will be appreciably less than that accomplished in the 1955-56 period, in my opinion there will be a gradual acceleration of the recovery trend which began in 1958 and a general increase in business activity for 1959. High levels of consumer and Government spending and an end of inventory liquidation should ensure continuance of recovery and a moderate improvement of investment in machinery and equipment may be expected to influence recovery in 1959.

R. C. Berkinshaw

The sustained and upward trend of business in the United States will also exert a beneficial effect on the Canadian economic scene.

The Canadian Rubber Industry anticipates an overall increase in the manufacture of rubber products commensurate with an expanding market. The growth in replacement tire sales which was evident in the past year is expected to continue and a substantial increase in sales of tires for original equipment is anticipated.

Nineteen Fifty-nine promises to be a good year for automobile sales in Canada and public acceptance of the 1959 model automoible appears to justify the confidence that tire sales, generally, will show a marked improvement.

The market for industrial rubber products is providing a steadily increasing share of the Industry's total production. Although there has been a general improvement in industrial activity for the last quarter of 1958, at present there is little indication of any major increase in capital expansion or development projects. Consequently, only a modest improvement in the sale of industrial rubber products can be expected for the next twelve months.

No marked rise in prices is anticipated in 1959, although prices for some of the industry's products did erode too much in the recession period and need to be improved. Such factors as higher wage rates and the recently authorized increases in freight rates will intensify the "cost squeeze." Thus, while forecasts indicate that in 1959 the Canadian rubber industry will have the highest dollar volume of sales in its history, the trend in net earnings will probably be downward.

To sum up, it seems likely that 1959 will be a year of further consolidation in which the realistic forces of supply and demand will continue to enforce necessary adjustments throughout the entire field of industrial endeavor and the problems of unemployment and the dangers of inflation will continue to plague us. However, I firmly believe that the Canadian Rubber Industry can face these adjustments, meet these problems and give a good account of itself in the coming year.

E. D. BROCKETT

President, The British American Oil Co., Ltd.

The Canadian petroleum industry has come through the roughest year in a decade in surprisingly good condition although the short-term outlook for finding new markets for crude oil is still hazy and product prices continue to remain under pressure.

This year, however, an increase of about 5% is forecast in the sale of petroleum products, and crude oil production is expected to rise about 7%. Production of domestic crude is expected to reach 175 million barrels during 1959, regaining at least half of the volume lost since the 1957 peak.

Throughput at Canada's 44 refineries during 1959 should improve moderately over 1958, since excessive inventories accumulated in 1957 have largely been worked off. However, the prevailing world surplus of crude oil will probably continue to affect profits adversely into 1959.

Crude oil production was the industry's hardest-hit segment during 1958, falling off 14% in the first three quarters of the year from the same period in 1957. It appears that for 1958 total well completions will be somewhere between 2,400 and 2,600 wells, for a reduction of about 15% below the 1957 figure of 2,962 completions.

Any increase in 1959 will be dependent on the trend of oil markets and whatever action is taken in relation to the export of natural gas, the only phase in which large new bulk markets can be found.

Footage drilled this year should stay above 12,000,000 feet on reduced volume of drilling and could exceed 13,000,000 feet with any moderate increase in completions.

The scarcity of major oil pipe line construction in 1958 was made than made up for the construction of such large gas lines as the Westcoast and Trans-Canada, as well as the big Alberta and Saskatchewan gas grid systems. Pipe line construction for 1959 is likely to show a decline in spite of a greater volume of small construction jobs for local distributing systems, especially in Ontario and Quebec.

At a time when oil production in Western Canada is lagging well behind the producing potential, natural gas appears to be a birghter spot on the horizon. Gas production in 1959 should increase to 500 billion cubic feet, due to the markets to be served by Trans-Canada Pipe Line. Income from gas and gas products should assist materially in overcoming the present temporary decline in earnings caused by restricted markets for crue oil, low realizations from sale of products and higher operating costs.

A. F. CAMPO

President, Canadian Petrofina Limited

Nineteen-fifty-eight witnessed the end of the worst postwar recession in Canada and the beginning of a somewhat hesitant recovery. Prospects are that our economy will continue to expand in 1959 on a broader front, though not at a spectacular rate. Our Gross National Product is expected to rise by about $1½ billion to $33½ billion. The major portion of this gain should be in real terms.

A. F. Campo

The Canadian petroleum industry was not immune to fluctuations in the economy. Domestic demand for petroleum products followed the downswing in business activity through the first half of 1958 and then started to climb again in the second half when economic conditions began to improve. For the year as a whole, domestic demand averaged 755,000 b/d, a gain of 2% over 1957.

Crude oil production dropped by 9% in 1958 to 453,000 b/d as a result of lower export demand caused by U. S. import restrictions and world oil market conditions. Producers in the Province of Alberta were forced to bear more than their proportionate share of this decline.

It is unfortunate that the oil import program of the United States continues to disregard trade and defense factors which suggest a different type of treatment for Canadian crude. The availability of dependable crude supplies to satisfy growing U. S. requirements in the long run is clearly of major importance to the United States and Canada's role in this connection cannot be overlooked.

As far as the industry's earnings are concerned, these were adversely affected in 1958 by the world-wide weakness in petroleum prices, the squeeze on operating margins and the reduced revenue from crude oil production.

New capital investment in the petroleum industry fell below the 1957 level as exploration and development activity slackened in Western Canada. A further decline in the overall capital expenditure program may occur in 1959. It is hoped, however, that the Canadian Government will soon clear the air with respect to natural gas exports and the proposed National Energy Authority so that the industry's expansion program may resume its normal pace.

Canadian petroleum consumption is expected to rise by some 6% in 1959 as our economic recovery continues. With somewhat firmer prices for refined products, the industry's earnings position should improve considerably. Producers can also look forward to an increase of about 10% in Canadian crude demand resulting mainly from new refining capacity installed in Ontario.

In conclusion, 1958 was a year of adjustment for the Canadian petroleum industry, but prospects for 1959 are encouraging and the long-term outlook is particularly bright. Our population growth and the rise in our standard of living are the main factors pointing towards rapidly increasing domestic energy demands. The availability of large, economical supplies of crude oil and natural gas make it plausible that these two sources of energy will play an important role in satisfying growing domestic and export requirements.

N. R. CRUMP

President, Canadian Pacific Railway Company

During 1958 the volume of railway traffic in Canada was adversely affected by the recession. Liquidation of inventories, substantial declines in investment in new machinery and equipment, and the drop in non-residential construction were all factors of weakness in the first half of the year. Other adverse factors in the first half included the decline in consumer spending, which had a marked effect on the sale of automobiles and household appliances. In trade, depressed conditions in the United States outweighed gains in wheat and uranium exports.

N. R. Crump

Sources of strength which contributed to the moderate recovery in the latter half of 1958 include increased consumer spending for non-durable goods and services, new investment in the public sector of the economy, and the marked increase in new housing under the stimulus of ready availability of mortgage funds. Indications suggesting that liquidation of inventories may have run its course may also be regarded as contributing to recovery from the recession. Another source of strength apparent in recent months has been the degree of recovery evident in the United States economy.

Despite the severity of the recession, which considerably reduced car-loadings on North American railways and which affected other aspects of transportation as well, Canadian Pacific continued to manifest its confidence in Canada's long-term outlook by advances de-

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United States Indifference to Canada's National Aspirations

By IAN F. McRAE*

Chairman of the Board, Canadian General Electric Co., Ltd.
President, Canadian Manufacturers Association

In blunt terms, but without blunting a strong desire for still better friendship with us, Canadian manufacturers' spokesman decries what he terms as our "contemptuous disregard" for his country's sovereignty in pleading for non-discriminatory trade treatment and closer economic partnership between the two countries. Mr. McRae points out that Canadian oil, raw materials and manufactured goods are virtually excluded by our high tariffs and quotas, yet U. S.-controlled firms account for considerable share of such output.

My term of reference in my comments is wrapped up in the words: "America looks at the United States." Implicit in this is recognition that Canada, like Mexico, is a full-scale and important partner in the defense not only of the hemisphere and the rest of the free world, but in protection of an ideology embracing true freedom and all that this freedom stands for.

I. F. McRae

My country's government is in close collaboration with yours in matters that affect our future as a free continent and I think I can best serve this discussion by taking a constructive and sober look at our mutual economic interests. In the last analysis, satisfactory trading agreements between two countries are the firmest base for friendship and, as the world knows, the friendship between Canada and the United States had its beginning very shortly after the unpleasantness of 1812, rather longer than most historic international friendships.

However, friction can occur between the friendliest of cousins and, in the last few years, there has been a flow of criticism, much of it one way.

Practice What We Preach

Briefly, our Canadian feeling can be summed up in the charge that the United States talks but does not always think or act in hemisphere terms. I would like to expand on this theme and be a little more specific.

One distinguished Canadian has suggested that the time has come for Washington to decide whether it can accommodate some of the basic economic problems of Canada or whether it prefers us to seek solutions outside this hemisphere. This means a definite swing to the Commonwealth, but I suggest that simply turning to our sister nations en bloc is not the answer. At Montreal in September, the Commonwealth itself emphasized in definite terms that participation of the United States in Commonwealth trade was essential and that exclusion of the U. S. from it could not be contemplated.

I honestly believe that closer economic partnership between Canada and the U. S. is vital to our mutual protection against the growing danger of Russia's newest and most threatening "cold war" tactic, her entry into the world trade arena and her deliberate attempt to undermine normal competition and world prices.

However, there is a feeling in Canada that closer economic partnership could pave an avenue to economic union and erosion of our national independence. No doubt, magnificent independence could become highly uncomfortable in this half of the century when two powerful ideologies have torn the world in two, but—even while we recognize this—we in Canada cannot suppress our concern that United States-controlled corporations should account for nearly one-third of all manufacturing plant sales and for one-fifth of all employment in manufacturing in Canada.

I would not have you think that we do not realize the benefits of heavy U. S. investment and its effect on our striking growth, but the very disproportion of its role in our economy has caused us to cock a wary eye at our wealthy guests. Certainly, we know that more and more U. S. subsidiary companies in Canada are making equity shares available to Canadian investors and that the larger and older companies are tending to employ more Canadian senior management and even a few directors. Nevertheless, we feel constrained at this stage in our history to emphasize that the share of our national development which is directly attributable to U. S. capital must at all times be considered a Canadian debt and not outright loss of equity in our birthright.

What's more, assertion of our individual and national rights does not always turn on the actions of U. S. corporations. More often, it centers around Washington, which is continually interfering in one way or another with the operation of U. S.-owned companies in Canada.

Sees Contemptuous Disregard

The latest impertinence is the barefaced attempt to victimize certain U. S. companies for business decisions taken — not by them — but by their Canadian subsidiaries. These perfectly proper decisions involved Canadian patents and they in no conceivable way conflicted with Canadian law. This contemptuous disregard of our sovereignty is bitterly resented in my country, We see it as flagrant dictation by Washington and a blatant move to throttle the autonomy of these Canadian-based companies. If I have spoken bluntly on this point, it is because, like all other Canadians, I want to remove any doubt that my country's capital is still Ottawa.

And then there are what I hope are simply short-term strains. I refer specifically to the United States' surplus wheat disposal policy and your quotas on Canadian oil. You say that our economies should be closely integrated for common defense purposes. We agree—and go along with you all the way on this.

What irritates us, however, is your failure to carry this desire for joint action through to the economic sphere, notwithstanding the existence of top-level consultative machinery supposedly designed for just this purpose. Thus, our oil, which is of great importance in the event of aggression against the North American continent, is considered by Washington to be just another foreign supply and is treated accordingly.

And the same goes for your approach to other raw materials. We are at the mercy of your caprice.

Decries Our Tariffs and Quotas

As far as manufactured goods are concerned, the position is even worse. Canadian-made products are, with few exceptions, rigorously excluded from the rich American market by your high tariffs. We believe we are entitled to complain about this. After all, on a per capita basis, we have been buying from you in the last few years nearly 14 times as much as you have from us. This is surely the most telling reason of all why you should hesitate to discriminate against Canadian exports of any kind. We, in Canada, do not ask for aid, but simply for the chance to trade.

If I can summarize Canadian reaction to all this in a single phrase, it is perhaps that you show every sign of wanting to "have your cake and eat it, too!"

In each of the three fields I have covered in this brief exposition — capital investment, raw materials and manufactured goods —your policy, as we see it, has essentially been one of "going it alone." It is this and your apparent indifference to Canadian national aspirations which have inevitably and seriously disturbed those of my countrymen who think about these things.

I cannot conclude without recognizing that I may have seemed harsh in places, but I thought that this was an occasion on which frankness would not be resented, particularly in view of the editorial support for Canada's case evidenced by so many of your own newspapers. My own justification for the brickbats I have tossed at you lies in the famous phrase of your own Benjamin Franklin — that "we must all hang together, or assuredly we shall all hang separately."

That was surely appropriate enough at the signing of the Declaration of Independence. I suggest to you that it is no less so today when what we need perhaps more than anything else is a Declaration of Interdependence.

*From a talk by Mr. McRae before the 63rd Annual Congress of American Industry sponsored by the National Association of Manufacturers, New York City.

Canadian Exchanges To Discuss Merger

MONTREAL, Canada — Members of the Canadian Stock Exchange and Montreal Stock Exchange have under discussion a proposed study of the desirability of a merger with the Toronto Stock Exchange.

It had previously been announced that a committee from the three exchanges would make such a study, but at the time some of the members of the Montreal Stock Exchange opposed the plan.

Twin Cities Bond Club Announces 38th Picnic

ST. PAUL, Minn. — Thursday, June 18, 1959, is the date set for the annual picnic at the Twin Cities Bond Club, to be held at the White Bear Yacht Club, White Bear Lake, Minnesota.

A cocktail party will be held on Wednesday evning, June 17, at the Nicollet Hotel in Minneapolis for visting guests.

Paul E. Casserly, of the Saint Paul office of Merrill Lynch, Pierce, Fenner & Smith, is President and Lawrence C. Shaughnessy, Jr., of Shaughnessy & Company, Inc. of Saint Paul, is the General Picnic Chairman.

Chicago Analysts to Hear

CHICAGO, Ill. — Dana T. Bartholomew, Vice-President and chief financial officer of Aluminium, Ltd. will address the luncheon meeting of the Investment Analysts Society to be held Jan. 29 in the Adams Room of the Midland Hotel.

Form Assets Inv. Co.

NEW ORLEANS, La. — Assets Investment Company, Inc. has been formed with offices in the International Trade Mart to engage in a securities business. Officers are James A. Lindsay, President; Joseph D. Lindsay, Vice-President; and Robert K. Morrill, Secretary-Treasurer.

James A. Lindsay was formerly with Woolfolk & Shober and Slayton & Co., Inc.

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signed to improve its efficiency as an integrated land, sea and air transportation enterprise.

The Company continued its program of replacement of steam with diesel motive power and using some 950 diesel units by the year's end was doing about 95% of its total rail work with this modern type of locomotive.

Further improvements were made to switching yards, signalling, maintenance of way and other facilities required for the efficient operation of the railway. Centralized traffic control was completed on a section of the Montreal-Toronto line from Glen Tay to Trenton, Ontario, to speed handling of traffic with electrically-operated signals and switches by means of which a dispatcher in front of a control board in Toronto directs trains into sidings or over the main line by push-button control. This installation will be extended to link Trenton with Toronto.

During the year, the Company added to its extensive highway operations by acquiring control of Smithsons Holdings, Ltd., which company wholly-owns Smith Transport, Ltd., Canada's largest trucking firm, and a number of related companies in the highway transport business. Canadian Pacific now owns or controls trucks operating over almost 10,000 route miles extending from coast to coast.

Piggyback service, the haulage of truck-trailers on flatcars, was introduced for licensed "for hire" trucking firms between Montreal and Toronto in October, 1957, and truckers in increasing numbers began to take advantage of this new service, which combines the efficient mass movement of the railway and the flexibility of the truck in terminal areas. This service was extended during 1958 to New Brunswick, to head of Lakes and into western Canada and plans are now under way to extend it throughout western Canada and to the west coast.

At the same time, Canadian Pacific continued to expand the operations of its own piggyback services, hauling its freight and express traffic in its own trailers.

Top planning priority is being given to co-ordination of rail and truck for all merchandise handling with a view to complete customer service on an integrated basis, streamlined, flexible and adapted to modern transportation requirements. To this end, early in November a new merchandise service organization was set up to study, plan and implement by progressive steps changes in organization, administration, methods of operation, facilities and equipment, to be used for all less than carload traffic.

Along with other railways on this continent, close attention is also being given to changes in the patterns and modes of passenger travel. Notwithstanding the growth of long distance air travel, transcontinental rail passenger service under the leadership of "The Canadian" with its lightweight stainless-steel equipment and scenic dome cars continues to enjoy public favor. In the short and medium distance inter-city runs, gratifying results, in economies and patronage, have been obtained from "Dayliners," the new, comfortable, air conditioned, stainless-steel, self-propelled rail diesel cars. However, continuing improvement of rural highways and the resulting increased use of private automobiles and buses have all but eliminated passenger traffic on many branch lines, and in these cases services are being reduced or abandoned in the interests of economy and with no hardship to the public.

A two-year dispute between Canadian Pacific and the Brotherhood of Locomotive Firemen & Enginemen was settled on May 13th last by the signing of a memorandum of understanding ending the second of two strikes called by that organization on the point of whether firemen (helpers) would be continued to be hired for service on diesel locomotives in freight and yard service.

During the strike of last May, most employees of the Company remained at their posts and carried on their regular duties, often under trying circumstances, so that Canadian Pacific's customers were not deprived of service nor employees deprived of the opportunity to work. The strike was settled on the findings of the Kellock Royal Commission being accepted by both parties, modified so that firemen with seniority from April 1, 1953, to March 31, 1956, remained as firemen and continued employment in the same way as firemen with seniority before April 1, 1953.

In September last, Canadian Pacific joined with other Canadian railways in an application to the Board of Transport Commissioners for Canada for a general increase of 19% in freight rates to enable them to meet the cost of applying the wage increases recommended by a Conciliation Board dealing with the requests of their non-operating employees. The cost to Canadian Pacific of applying these wage increases to non-operating employees and all other railway employees for a period Jan. 1st, 1958, to Dec. 31st, 1959, was estimated at $26.5 million.

The Board of Transport Commissioners rendered its judgment Nov. 17th, awarding a 17% freight rate increase. An appeal was made to the Cabinet by eight Canadian provinces against this award. Meantime, the railways had informed their non-operating unions that they would be prepared to sign new wage agreements giving effect to the findings of the Conciliation Board if the rate increase was allowed to come into effect. On Nov. 26th, the Cabinet announced that the appeal of the provinces had been disallowed, and that the increase of 17% would take effect Dec. 1st.

Immediately, the railways met with representatives of their non-operating unions and have signed agreements giving effect to the findings of the Conciliation Board. A strike notice for Dec. 1st was accordingly withdrawn.

In announcing the decision to reject the appeal against the increase in freight rates, the Acting Prime Minister stated the intention of the Cabinet to bring about an immediate inquiry into the freight rate structure in Canada with a view to bringing to an end any inequities which may be shown to exist.

While passenger carryings by the Company's three liners operating between Canada and the United Kingdom were satisfactory during the St. Lawrence season, a world-wide depression in ocean freight rates was reflected in diminished earnings by the Company's seven cargo vessels on the North Atlantic and the four smaller chartered freighters operating from London and Liverpool to Canadian and American Great Lakes ports.

A replacement for one of the passenger-cargo liners now in the North Atlantic service is on order for construction in a British shipyard and when it enters service in 1961 will be the largest of the fleet. The newest of the present three liners, Empress of England, replaced the retired Empress of Scotland as the Company's cruise ship out of New York last winter, calling at West Indies and South American ports. With her larger carrying capacity, and being fully air conditioned, this ship considerably increased the Company's cruise traffic, and has again been assigned to the cruise schedule out of New York this winter.

On the Pacific coast, a seamen's strike tied up all vessels of the British Columbia Coast Steamships during most of the lucrative summer tourist season. Two ships of the B. C. Coast fleet were sold in late July to British Columbia operators who continue to operate them in Northern British Columbia waters.

Although the comfort, reliability and scenic advantages of rail travel in modern equipment assure the future of rail passenger services for carefully selected runs, technological developments in air transport clearly indicate an enlarging market for long haul travel by air. For this reason, and in order to maintain its position as a complete transportation agency, the Company, through its wholly-owned subsidiary, Canadian Pacific Air Lines, sought governmental authority to fly five transcontinental routes in Canada, and hearings were undertaken late in 1958 by the Air Transport Board to determine the issue.

To its fleet of DC-6B aircraft Canadian Pacific Air Lines in 1958 added six Bristol Britannia turbo-prop aircraft to fly its intercontinental routes.

Canadian Pacific hotels were affected by the recession and the generally higher costs of wages and materials. However, the booking of conventions earlier and later than in previous years resulted in a longer season for the Banff Springs Hotel which, with neighboring Chateau Lake Louise, continued to attract near-capacity bookings.

Work continued on the new 400-room addition to the Royal York Hotel in Toronto, which will give this famous hotel a total of 1,600 rooms, making it the largest in the British Commonwealth. A strike by certain of the building trades engaged on the project, however, brought work to a halt in Oct., and valuable time was lost. The formal opening of the new addition, which will incorporate public rooms named and decorated for each of the ten provinces and the Northwest Territories, as well as the larger "Canadian Room," will take place early in 1959, and will present to the public something entirely new and different in attractive Canadian decor woven into a distinctive Canadian pattern.

Early in 1958 a new subsidiary, Canadian Pacific Oil and Gas Limited, was incorporated to assist in the active development of the Company's oil and gas rights in Western Canada. In addition to farmouts granted to other companies, C.P.O.G. conducted drilling operations on its own account with quite satisfactory results, and has signed a contract for the sale of gas to Trans-Canada Pipe Lines Limited. Drilling operations are continuing under company management.

Further progress was made in wider application of integrated data processing in order more speedily to collect and process information vital to management in this age of speedy communications. Eight data centres throughout Canada on an around-the-clock basis send up-to-the-minute information on freight transportation and other operations to a central office in Montreal where an electronic computer digests the data.

At the same time the computer centre is undertaking additional data processing procedures affecting operations of Canadian Pacific and its ancillary companies throughout the world. Canadian Pacific has the most complete installation and application of integrated data processing of any railway or transportation company in the world. The computer centre in Montreal has been visited by railway operating and accounting experts from many foreign countries and has been inspected also by thousands of other visitors interested in this phase of modern business management.

The extension of Telex, the new and revolutionary means of rapid communication, to link Canadian with United States subscribers, was brought about during the year, continuing the growth of a service which has won wide public acceptance. A network of subscribers in Canada, the United States, Europe and the United Kingdom has now been established for the exchange of instant printed messages handled by the simple means of a teletypewriter and a telephone dial.

Canadian Pacific believes that the many advancements on various fronts in the field of transportation and communication will be beneficial alike to shareholders, customers, and employees.

F. R. DANIELS

President, Paton Manufacturing Company Limited

The development of Canada's economy has proceeded at an unprecedented rate, since the last war, with only minor interruptions. With particular emphasis on certain segments such as the forest industries, ferrous and non-ferrous minerals and other extractive industries, it has enjoyed a boom of such proportions that the recent recession can only be regarded as a minor one in comparison.

The few exceptions to this picture of health, wealth and bounty have been among the manufacturing industries, the textile industry in particular. This is not because of an inactive market; the market has expanded in step with the general growth of the economy. Ever since the conclusion of the Korean War, this industry (and no segment of the industry is an exception) has suffered from loss of its share of the market, and even to a greater extent loss of earnings. The reasons are many and varied as between the branches of the industry. But whatever branch is viewed, the earnings picture is much the same.

Recorded statistics show that in recent years the rate of net earnings to sales in the Canadian textile industry averages to be one-third of the rate in manufacturing industries generally.

An enquiry by the Tariff Board into the problems of the three main branches of the industry, that is, the woolen yarn and cloth segment, the cotton segment and the broad woven silk and synthetic segment, has just been concluded. In this study the industry was given the opportunity to show that its performance rates very highly in relation to world standards of manufacturing efficiency, management ability and merchandising skill, and that its economic position can only be restored by government action. The report and recommendations of that Board on both the cotton yarn and cloth, and the silk and synthetic divisions, have not yet been published. The industry is naturally anxiously awaiting action on the part of the Canadian Government to give them some mitigation of the difficulties which have been besetting it since 1952.

In wool textiles, for instance, these difficulties are primarily the imports of the better grade worsted and woolen fabrics from Great Britain, and in large measure the medium to coarse goods from Italy.

The problem in so far as cotton textiles are concerned, is chiefly the American competition, where the huge American market allows economy of operation and low cost production not available to the Canadian producer in the smaller Canadian market.

Also, the industry is faced with import competition from the low-wage Asiatic countries, such as India, Hong Kong, Communist China and Japan. In the case of Japan, the importation of fabric in the form of garments is an increasingly serious matter and is taking employment and earnings, not only from the textile mills but from the garment manufacturers as well.

The Japanese industry has established so-called voluntary quotas for the Canadian market, along the lines of the quota system for exports to the United States, but very greatly out of proportion in relation to the relative sizes of the two markets. On that basis the quota for exports to Canada is from 5 to 20 times what it should be.

The chief source of competition in the silk and synthetic industry is again the United States, and Japan's highly developed synthetic industry threatens to enter the field.

If, in Canada's growing economy, manufacturing industries are to be allowed to expand with the needs of the country and in balance with other industries, the appropriate legislative assistance is essential, especially in the textile industry with its ever-present vulnerability to price and volume pressure from imports. It is most difficult to forecast the near-term or long-term future of the industry until it is known to what extent such assistance will be given.

H. NORMAN DAVIS

President The Ogilvie Flour Mills Co., Limited

The general outlook appears to be one of "cautious optimism" for business during the coming year.

The inventory position generally is good and it is believed that the low of the recession is past. So, barring any world upheaval which, of course, could take place and a slowing down of the prices chasing wages spiral, we should see a gradual improvement in most lines of business.

Harry Norman Davis

Rapid growths in population in practically all countries means more accommodation required, more mouths to feed, more people to clothe, more people to educate—therefore more goods will be needed.

The flour milling industry in Canada is still keenly competitive as a result of over-capacity and dependence on export markets which are shrinking due to causes beyond its control, such as the American export flour subsidy program, the building of mills by countries hitherto regarded as traditional markets, thus shutting out imports, and the buying up of large baking capacity in the United Kingdom by British mills which assures them a market at the expense of the Canadian industry. These are formidable obstacles to overcome, but Canada is still able to produce the world's finest quality flour from its famous hard spring, high protein wheat, and by improving efficiency in its operations and concentrating on all available markets, it is expected the industry will be able to maintain business during 1959 on a comparable level with the past year.

The feed end of the business should prosper as there is an increase in hogs, cattle and poultry population, and

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British Securities Market And the Latest Clouds

By PAUL EINZIG

The recent public opinion survey-findings revealing how even the vote may be in the coming British election and the deadlock over Germany are blamed for pessimism in London's securities market. Dr. Einzig also points out that this, and not actual economic conditions, may cause a vicious circle and retard economic recovery. He hopes that the increased U. S. investments in British equities, encouraged by convertibility, will forestall nationalization should the Labor Party win the election, and notes the mixed feelings of British shareholders about this U. S. investment invasion.

LONDON, Eng.—The recent figures of public opinion surveys provided an explanation of the sudden setback on the London Stock Exchange after the turn of the year. They indicated an unfavorable change in the Government's prospects at the coming General Election. While until recently the advantage was distinctly on the Government's side, according to the almost unanimous findings of three public opinion surveys the chances of Conservatives and Socialists are now more or less even. As a result of this change the optimism that was largely responsible for the rising trend on the Stock Exchange in December gave way to a certain amount of pessimism.

Dr. Paul Einzig

Following on the publication of the unexpected figures there was a great deal of selling by investors and speculators alike, and the turnover on the Stock Exchange reached record figures. The actual decline of prices was not excessive, but it was sufficient to give rise to a widespread feeling that it is now safer to liquidate investments pending the outcome of the General Election. For unless the indications point quite distinctly towards a Conservative victory a large number of people are bound to prefer to be on the safe side between now and the General Election.

It is difficult to explain the sudden change in sentiment regarding election prospects. Admittedly, unemployment figures are relatively unfavorable, but not more so than was widely anticipated. As for the cost of living index, its increase during December was moderate. There were no major wage increases in recent weeks that would account for an adverse change in the attitude of the middle classes.

The reactions of the public to the return to convertibility may have had something to do with the change. The Labour Party is making the utmost use of the argument that as a result of this move sterling has become more vulnerable and British domestic economy has been placed "at the mercy of New York bankers and Zurich speculators." In view of the disastrous consequences of the return to the gold standard in 1925, and of the failure of the convertibility attempt in 1947, the Socialist arguments sound fairly plausible to the public which is already worried about the persistence of the business recession.

May Retard Recovery

The anticipation of a Labour victory is bound to be detrimental from the point of view of the recovery from the recession. Industrial firms are liable to be influenced by this new element of uncertainty in the outlook, which will tend to discourage them from capital expenditure, and even from making full use of their existing productive capacity. Unless there is a change in sentiment in the near future in favor of the likelihood of a Conservative victory, a vicious circle will develop in which pessimism about Conservative prospects tends to accentuate (or at any rate prolong) the recession while the accentuation (or prolongation) of the recession will tend to weaken further the chances of a Conservative victory.

Another political factor which appears to be working in the same direction is the deadlock over Germany. Mr. Mikoyan's visit to the United States appears to have brought no relief of the tension and the possibility of a severe international political crisis within a few months is now widely anticipated.

Clouds on the domestic and international political horizon are gathering at a moment when in their absence Britain would have attracted considerable amounts of American capital. Ever since the restoration of convertibility there has been a noteworthy increase in American demand for British industrial equities. Even if we disregard the American buying of British Aluminium shares, which was due to special circumstances, it seems evident that American investors have become encouraged by the convertibility decision to acquire first-rate British industrial stocks the yield of which is considerably higher than those of the corresponding class of American securities.

This influx of American capital is viewed with mixed feelings in Britain. The Government naturally welcomes the resulting American demand for sterling which must have been largely responsible for sterling's firm tone. British shareholders welcome this moderate buying pressure which tends to raise the value of their investments. On the other hand, leading industrial firms scrutinize the purchases with particular care to ascertain whether there are any indications of American attempts to secure a controlling interest. In one or two instances indications to that effect are fairly distinct, but in the majority of instances the purchases are widely spread.

May Thwart Nationalization

The apprehension of the management of industrial firms that they might wake up one day and find themselves under American control are mitigated by hopes that the acquisition of substantial, if not controlling, American interests in their capital is liable to discourage a Labour Government from nationalizing those firms, either by legislation or through acquisition of shares in the open market. It is remembered that, even though the British Ford Co. was exactly in the same position as many British firms which came under the iron and steel nationalization under the last Labour Government, it was left severely alone. It is assumed, therefore, that history would repeat itself in respect of companies with substantial American interests in them.

The acquisition of American participation is widely regarded as a fairly safe insurance against the new form of Socialist backdoor nationalization by means of open market purchases. Such operations would entail a risk to owners who refuse to sell out, because a Socialist Government in possession of substantial holdings might devise means to starve or force private holders into surrender. The risk of applying such devices would be materially mitigated if substantial private holdings were held in American hands.

Even so, the growing fears of a Conservative defeat are liable to discourage also American buying. For high taxation and other anti-capitalist measures would affect all firms regardless of the nationality of their stockholders.

NASD District No. 6 Elects Jack P. Brown

DALLAS, Texas — Jack P. Brown, Vice-President, Dallas Union Securities, Inc., Dallas, was elected Chairman of District Committee No. 6 of the National Association of Securities Dealers which comprises the State of Texas.

Jack P. Brown

Mr. Brown succeeds Neill T. Masterson, Jr., general partner, White, Masterson & Co., Houston. Paul J. Fagan, with offices in Dallas, is Secretary of District Committee No. 6.

With Moors & Cabot

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—James A. Hodder, Jr. has become associated with Moors & Cabot, 111 Devonshire Street, members of the New York and Boston Stock Exchanges, as a registered representative. Mr. Hodder was formerly Framingham manager for du Pont, Homsey & Company.

Merrill, Turben Co. Official Changes

CLEVELAND, Ohio—Charles B. Merrill has been made Chairman of Merrill, Turben & Co., Inc., Cleveland, and Claude F. Turben has succeeded him as President of the 35-year old investment banking house, it has been announced.

A three-man executive committee of the board of directors has been formed, consisting of Mr. Merrill, who will be Chairman, Mr. Turben and Lewis C. Williams.

Mr. Merrill joined Burke, Hord & Curtiss, in 1915. Later he was associated with Guaranty Trust Co. of New York. In 1924 he formed Merrill & Co.; which became, Merrill, Turben & Co., Inc., in 1936.

Mr. Turben, who has been Executive Vice-President, became a partner in the firm in 1935, and Executive Vice-President in 1952.

Mr. Williams joined Merrill, Turben as Vice-President in 1952.

Merrill, Turben is one of Cleveland's largest investment banking companies, and holds seats on The New York and Midwest Stock Exchanges. It was one of the first corporate members of the New York Exchange. The company's offices are in the Union Commerce Bldg., and branches are operated in Canton, Columbus, Dayton and Youngstown. Other Vice-Presidents of the company are John Hay, Charles F. Kling and S. C. Mitchell of Canton.

Other voting stockholders of the company—the equivalent to partners—are Mrs. H. G. Dike, Secretary and Treasurer; W. H. Clark, H. J. Gawne, O. E. Maukert, T. A. Melody, J. H. Doyle, J. W. Mitchell, Canton, and S. J. Wolfe, Dayton.

Kurt Grunebaum Director

Kurt H. Grunebaum has been elected a director of Adam Consolidated Industries, Inc., Harold N. Leitman, President has announced.

Mr. Grunebaum is executive Vice-President and a director of the New York Hanseatic Corporation, a well-known investment securities firm and government bond dealer.

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while there is an abundance of feed grains on the farms and farmers can be expected to use them to the best advantage, livestock feeding has become a complex, scientific business calling for research into special formulae to benefit and accelerate growth towards marketability. The industry is well equipped to handle increased demands.

All in all, therefore, flour milling and its ancillary departments should come through satisfactorily.

HON. T. C. DOUGLAS

Premier of Saskatchewan

Developments that had their beginning in 1958 promise to make the new year in Saskatchewan an eventful one for the province's growing economy.

Steel was the word that quickened the tempo of Saskatchewan's industrial activity in 1958. Interprovincial Steel Corporation Ltd. is proceeding with the construction of a $15,000,000 rolling mill on a site near the City of Regina. The mill will roll skelp, plate and structural steel to supply prairie manufacturers of steel products. The existence of a basic steel industry in Saskatchewan opens up a potential for secondary manufacturing growth that should see this province established as a major steel centre of the Canadian west.

T. C. Douglas

Steel was in the news again in late December with the announcement by Dominion Bridge Company Limited that it plans to build a $1,000,000 steel fabricating plant in Regina. Main operation of this plant will be the fabricating of structural steel for buildings and bridges but it will also warehouse a complete stock of steel supplies for Saskatchewan industries.

Another event of 1958 was Saskatchewan accession to the unchallenged title of "Potash Province of Canada." The first mining and refining of potash in this country began late in the year at the plant of Potash Company of America, near the City of Saskatoon. International Minerals & Chemical Corp. is proceeding with a second potash development in another area of the province.

When these two plants are in full production their combined output will add some $25,000,000 to the value of the province's mineral production. The quality of Saskatchewan potash and the immense deposits to be developed, will see the formation of an industry that will make the province one of the world's leading producers of this important mineral.

The present year will see construction work progressing at the site of the South Saskatchewan River dam and irrigation scheme. This massive project will bring the benefits of irrigation to a large farm area of the province which is frequently faced with the problem of drought.

Irrigation will increase the productivity of farm lands and make it possible to grow a variety of specialty crops which will prepare the way for the establishment of processing and canning industries. The generation of hydro-power will be another incentive to economic expansion. The big lake created by the dam will bring about extensive recreational and resort development.

Mines, oil and gas fields delivered a record mineral harvest of $200,000,000 in 1958. Crude oil production alone was valued at almost $100,000,000. The outlook for this year is for another substantial increase in mineral production. Potash will be included in this year's output.

Mining interests are preparing for another big year of exploration in the province's Precambrian north. One development company is presently conducting a large-scale drilling program to evaluate a large body of iron ore in the Prince Albert area. The possibilities of a mining development here are promising. Sponsors of the new steel industry are interested in the iron as a possible future supply of raw materials for their mill.

Manufacturing made new advances in the past year. New plants and major expansions to existing plants contributed to a production increase of some $15,000,000. The continuing trend upward in the value of factory production should result in a higher level of output again in 1959.

Saskatchewan's construction industry had a prominent place in the 1958 production picture. Building values for the year appear to have outdistanced the record of $379,000,000 set in 1957. The estimated figure for 1958 is $383,000,000.

For the past two years some two-thirds of Saskatchewan's commodity production have come from non-farm industries. This is confirmation of the progress we are making to develop an industrialized economy. Capital investment by industry in resource and manufacturing development underscores the very great potential the province offers for economic growth.

THOMAS W. EADIE

President, The Bell Telephone Company of Canada

Following the most pronounced slow-down in economic activity of the postwar period in Canada, the more favorable trend of recent months is expected to continue through 1959. The overall rate of growth will still be appreciably less, however, than that accomplished in the 1955-1956 period since the impetus of a rapidly expanding investment program will be missing. Unemployment appears likely to remain relatively high throughout this winter.

Thomas W. Eadie

While little change is expected in total capital spending, continued growth in consumer expenditures and some rebuilding of inventories should help to move the economy to somewhat higher levels.

Demand for telephones should be relatively strong in view of the high level of home building in 1958, which is expected to continue well into 1959. To meet this continuing demand and to provide for the necessary improvements in telephone service, our Company's capital outlays will again be larger in the coming year—a pattern which has persisted for most of the postwar period.

During 1958 our Company continued to develop and improve its services. However, in line with the general trend of the Canadian economy, there was a slight levelling-off in the rate of growth. We added over 185,000 telephones during the year, bringing the total in service to more than 3,140,000. The list of people waiting for service was reduced from 18,000 to 10,000 and unfilled orders for individual in place of two-party lines from 34,000 to 11,000. There was an 8% increase in the volume of long distance calling.

Construction to extend and improve service involved capital expenditures exceeding $180,000,000. Due to the uncertainties regarding our rate application and the effect on our financial situation, we were not able to carry out the integrated financing program we would have wished, and were forced to rely more heavily on short-term borrowing arrangements. Long-term financing was limited to the sale of a $50,000,000 bond issue in the United States in March, and the investment of some $6,700,000 of new capital in the company through the employee stock plan.

However, in December arrangements were made to sell $30,000,000 of 5¼% bonds, payable in Canadian funds, to be dated January 2, 1959. They will mature on July 2, 1980.

At the end of November the Canadian Cabinet confirmed the new rates for service which had been earlier approved by the Board of Transport Commissioners for Canada. These rates — the first general rate increase since March, 1952—went into effect on Dec. 1. They are designed to produce $8,600,000 of additional yearly earnings, and will allow us to continue to provide the quality of service expected of this company. They should markedly improve our ability to attract the capital needed for financing the necessary expansion of our services.

In order to meet the ever-increasing demand for communications services during 1958 we extended existing facilities and further developed the scope of our services. Our company has played a major role in the engineering and construction of the Trans-Canada microwave radio-relay system. A joint project of the member companies of the Trans-Canada Telephone System, this network is the longest of its kind in the world, extending from Sydney, Nova Scotia, to Victoria, British Columbia. It is capable of handling both television programs and hundreds of telephone conversations simultaneously in both directions. The completed network was formerly opened on July 1 last as Canadians from coast to coast viewed a feature 90-minute television program. Two weeks earlier a special nation-wide press conference was held with newspaper men and women assembled in 37 television stations across the country.

In order to handle efficiently and economically the increasing volume of long distance traffic, the telephone companies of North America are extending what we call Direct Distance Dialing. In our own territory there are, at present, three cities in the Province of Ontario where telephone users can dial many of their own long distance calls—Toronto, Guelph and Windsor. Plans are under way to bring DDD to a number of other Ontario and Quebec centers within the next few years. Conceived and developed on a continental scale, DDD will eventually enable the large majority of our customers to dial direct to practically any telephone in Canada and the United States.

One of the most impressive advances of the Canadian economy in recent years has been the opening up of the north. As the northern areas have been developed the need has arisen for direct, reliable communications with industrial and business centers to the south. To help meet this need, we have, in cooperation with Quebec-Telephone, put into operation a radio relay system that serves both Goose Bay, on the Coast of Labrador, and Knob Lake in Northern Quebec. Using regular microwave and tropospheric scatter installations, it provides a trunk route from which we can extend communications services into still more distant parts of north-eastern Canada.

The high proportion of Canadian ownership in the company has been fully maintained in recent years. Of the 157,000 present shareholders, 98% are resident in Canada, and they hold 92% of the company's common stock. The American Telephone and Telegraph Company owns 4% of the stock.

J. A. FULLER

President, The Shawinigan Water & Power Co.

The year just ended was a busy one for the Canadian electric power industry. As the part played by electricity in Canadian life from coast to coast continued to expand, additions to installed capacity during the year reached a new high. And projects either under way or in the active planning stage show equally busy years ahead.

J. A. Fuller

New capacity installed in 1958, both hydro and thermal, amounted to close to 2,500,000 kilowatts. Of this, 1,850,000 kilowatts was hydro power. During the next two or three years, further additions are likely to total more than five million kilowatts.

Generating capability at the year end, 18,705,000 kilowatts, was 14% higher than at the close of 1957. A similar increase is expected during this year. Production of electric power in Canada in the first 11 months of 1958 totaled 88 billion kilowatthours, a 7% rise over the corresponding period of the preceding year.

Top provinces in electric power additions during 1958 were Ontario and Quebec. New installations in the former province totaled 1,173,650 kilowatts and in the latter 673,000 kilowatts. Projects under construction or planned in Quebec will likely add another 2,000,000 kilowatts by 1961.

During 1958 gradual improvement was felt in the rate of growth of industrial power load after a decline in the period of decreased economic activity in 1957 and early 1958. Retail use of power in homes, farms and for commercial purposes maintained its annual 10% rate of growth.

Recovery from the recent recession is very evident in Canada. However, if we are to make sure that Canada's excellent long-term prospects are not placed in jeopardy we must make every effort to keep wages and prices in line with our nation's productivity. Otherwise we will be in great danger of pricing our goods out of world markets.

HON. HUGH JOHN FLEMMING

Premier of New Brunswick

There are definite indications that the level of economic activity in New Brunswick, in 1959, will be well above the level of 1958. The extent of the increase in activity, however, will depend upon the rapidity of the economic recovery in the Province's export markets. Among these markets the United States is, of course, of major importance.

Hugh John Flemming

The cut of wood, this winter, from the Province's 14,000,000 acres of forest land is expected by the New Brunswick Department of Lands and Mines to be 17% above the cut for the winter of 1957-58. This indicates higher production for board lumber industry and the pulp and paper industry throughout 1959. The pulp and paper industry is the Province's major industry and, in recent years, the total annual value of output has been in excess of $100,000,000. In the Greater Saint John area, economic conditions are expected to be unusually prosperous. At the present time, over $100,000,000 of new construction is underway and it is anticipated that this total will be increased substantially during the spring and summer months. In 1958, per capita construction spending in the Saint John area was almost three times the figure for Canada as a whole.

The growth at Saint John has province-wide implications and points to an increased diversity in the provincial economy. The largest of the new construction projects is the building of a 42,000-barrel-a-day oil refinery at a cost of $50,000,000. The refinery will be owned by Irving Refineries Ltd. in association with the Standard Oil Company of California. In addition, the Irving Pulp and Paper Co. with the Kimberly Clark Corp. is greatly expanding its mill capacity at a total cost of $16,000,000.

In 1958, the sales of the New Brunswick Electric Power Commission, the provincially owned electric utility, rose rapidly and were approximately 20% above the level of 1957. This is about double the 10% annual rate of growth which has been characteristic of the postwar period. The increase in sales was made possible by the coming into production of the Beechwood hydro electric power station with its 68,000 k.w. of generating capacity.

The Beechwood project is part of a very extensive power construction program which is designed to promote the accelerated industrialization of the Province. It is directed, in particular, toward the expansion of the pulp and paper industry and the development of metallurgical industries based on the Province's large base metal deposits. In both these industries, the availability of electric power in large quantities is absolutely essential for large-scale development.

The expansion of the New Brunswick Electric Power Commission's generating capacity will continue during 1959. A new 50,000 k.w. thermal plant is under construction at East Saint John and it is scheduled to come "on line" in 1961.

The aim of provincial government policy is to promote the development of a new industrial complex based on

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Watch Out for Icebergs!

By WALTER SONNEBERG
Philadelphia, Pennsylvania

Philadelphian correspondent suspects that the many claims made regarding our assets, to the neglect of our liabilities, are like our icebergs that carry their damaging bulk below the water line. Mr. Sonneberg deplores our resort to "artificial respiration" to get surplus goods off the market, and our failure of not differentiating between artificially created and real purchasing power.

The cry "Icebergs!" recalls the Titanic. The sinking of the Titanic reminds how mistaken confidence in the unsinkability of the ship played a considerable role in its wreck. Due to this mistaken confidence proper precautionary measures were not taken soon enough. Had the crew sensed the limitations of the ship's protective devices there would probably have been a different story. Carrying eight times their damaging bulk below the water line, these icebergs have protruding peaks that sometime catch the sun's rays giving optimists—who do not look below the surface—the impression of pleasing contributions to the scenery.

Walter Sonneberg

Economically big national income, big production, purchasing power, installment selling, population growth and social security conform roughly to the iceberg pattern in which assets show bravely above the horizon and liabilities are pretty much concealed from ordinary public view. Not forgetting inflation that throws a monkey wrench into the calculations of unwary optimists.

Big national production, one of the widely advertised features of the prosperity program, can only become fully and economically effective if operating conditions satisfy certain specifications.

Christian Science Monitor editor Edward Canham, before a recent session of the Harvard Business School, registered his opinion regarding the pressing need for a better accounting with production policy. Big production, in his book, is not enough. It should be economically sanctioned production warranting the extended plant projected. **"There is a great deal wrong in thinking and acting as if mere production of goods is a justifiable goal."**

Artificial Respiration

Policy has been shaped as though production was sufficient unto itself and we became frustrated by surpluses taxing the ingenuity of supersalesmen to unload on unwary customers. The fact that production does not finance its own operations but resort is had to artificial respiration to get the goods off the market, marks the spot where we have gone astray in our calculations.

Charles Beard, historian, some years ago explained why! "Masters of huge industries" increased production volume **without laying the foundations for a sufficient area of demand,** without mastering the principles upon which the area could be effectively cultivated."

As a result of flagrant disregard of this fundamental a variety of inept, half-baked remedial proposals, after having had their day as favorites in the court of public opinion, have reservedly been shelved. In the course of radically changing values, followed by more precise appreciation of implications, there is frequently revealed assets with their liabilities showing.

Therefore, we should not be surprised if it turns out that the standard of high living, popularly regarded as an asset, can become a liability if overexploited. The standard's prematurity is attested by the difficulty which many people experience in financing a host of costly items including cars, TV's, air conditioners, roads, schools, hospitals and other modern requirements, without overcommitting their resources.

The legitimacy of the standard is further challenged on two counts. One: Dangled before the eyes of "underprivileged" nations who are unprepared, socially and economically unequipped, for adoption of the standard, it has caused much of the current Middle East turmoil and unrest. Two: At home the standard creates a muddled situation that has second-guessing on many issues. Putting friends of free enterprise on their toes to stay the tide of socialism precipitated by those who invite Uncle Sam to underwrite fancy financial projects that bankers would not handle.

Artificial Purchasing Power

Such departures from honest financing derive from a mistaken concept of money's real role in the economy. Adequate valuation of purchasing power's limitations means differentiating between **purchasing power earned from production** and purchasing power created artificially.

On honest financing Federal Reserve Chairman Martin testified: "We can have in a given period just so many houses, cars, appliances, schools and factories and myriad other things. Creating more money will not create more goods. It can only intensify demand for the current supply of labor and materials, that is **outright inflation.**"

Credit created money has two aspects. The above surface banner-waving aspect, excited by the cheering section loaded with determined optimists encourages people to buy more than they can afford; and below the surface where inflation, "The Cruelist Tax," flourishes practically unhampered. Which convinces thoughtful observers that "America is living beyond its means."

Though there is much pussyfooting around it and efforts to minimize its baneful influence, inflation flourishes. In mounting debt, in overextended credit, in economically unearned wages, in undue plant expansions, in extravagant promotions due to production's incapacity to finance itself and in heavy borrowing from the future.

A *"Wall Street Journal"* article set the pattern: "Only an economic innocent denies that the combination of about $10 billion U. S. deficit and continuation of other spending with credit extensions spells inflation on a vast scale. Only the blindest optimism would expect such inflation to end in any way but extremely painful economic adjustments."

And how about social security? The record shows some 70 million Americans are compelled by law to entrust part of their current income to the Federal Government in return for a promise by the government to provide old age security. Yet for years the government has pursued a policy under which it pays back to the people only part of the purchasing power which it takes from them every payday.

A few years ago the Brookings Institution reported the system "thoroughly unsound and financially reckless." More recently a magazine cited the "surprising" fact that the social security system is running in the red "to the tune of $125 million." Yet the boys who never look under the hood, hurrah over a recent extension of social security benefits!

Getting Away From Principles

It is no secret that we have lost sight of the principles upon which our great nation was built. "It is painfully obvious that people allowed themselves to be led, bribed, conned and frightened away from a system of individual initiative and free enterprise into the wasting disease of the welfare state." There followed a muddled situation, characterized by Chairman Martin as one of "waste and extravagance, and incompetence and inefficiency," and drawing from Henry Hazlitt the remark that as long as we are plagued by false theories we will be plagued by false remedies.

As one farmer aptly and wisely said of the farm-subsidy fiasco—you can't cure a stomach ache caused by eating green apples by eating more green apples.

Mr. Palyi, noted economist, advises against planning to prolong the "Fool's Paradise" in which we are living by restoring the maladjustments that brought us to the present impasse, where the government, not industry, is called upon for rescue in every emergency.

A setup nursemaided by supersalesmen, burdened by big borrowing from the future, characterized by deficit financing, and sustained by artificial respiration with the prospect of government takeover, scarcely justifies the pattern planned by the founding fathers. But if that is the kind of world you want you are welcome to it.

Senator Douglas remarked: "The watchman who gives a warning to the people in due time so that they can protect their interests is serving the public more faithfully than he who administers sleeping tablets to get people to believe that all is well and nothing need be done—only to find that later dangers burst upon an unprepared public."

Pace College's New Courses Include Use Of Latest Computers

College located in New York City's financial district expands program into taxation of exempt organizations and electronic digital computer programming.

Undergraduate and graduate classes for the spring semester at Pace College will open Saturday, Jan. 31. Several new courses will be offered for the first time. In the Graduate Division Mr. Samuel Alexander, Chief of the Pensions and Exempt Organizations Group of the Internal Revenue Service (Downtown Manhattan District) will teach the course, Tax Problems of Exempt Organizations. This will be of specific interest to labor unions, health and welfare funds, and brokerage and banking institutions doing business with such organizations. Dr. John Walsh of the Social Science Department will teach Patterns of Human Organization, a course relating management and the humanities.

In the Undergraduate Division juniors and seniors may enroll in the course, Psychology of Learning, designed to help Pace students prepare for teaching at the secondary level. An advanced course in Electronic Digital Computer Programming has been added in order to meet the need for instruction on the IBM 650 and 705 computers.

As in former spring semesters students entering the day school this spring can take an accelerated program of 13 weeks in summer school in order to enter the sophomore class in the fall.

Orientation for Day Division freshmen will be held Friday, Jan. 30, and for Evening Division frosh on Feb. 16, 17 and 18.

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pulp and paper — base metals — and greatly expanded electric generating capacity. This is the same industrial complex which has played such an enormous part in Canadian economic growth in this century, particularly in British Columbia, Northern Ontario and Quebec.

It is, of course, not possible, as yet, to make any accurate forecasts regarding income trends in New Brunswick agriculture and New Brunswick fishing industry during 1959. It is expected, however, that activity in the Bay of Fundy fishing industry will continue to increase. Toward the end of 1958, a large fish-processing and freezing plant was completed at Beaver Harbour, Charlotte County. This plant has an estimated capacity of 20,000,000 pounds of fish per year and will appreciably expand the market for ground fish.

In recent weeks, the demand for coal from the mines in the Grand Lake area has increased rapidly and, at the present time, the industry is operating at near capacity levels. Estimates for 1959 indicate that total output for the year may attain 1,000,000 tons.

An encouraging factor, at the present time, is that the outlook for the expansion of secondary manufacturing industries appears to be improving. In 1959, the New Brunswick Department of Industry and Development anticipates growth in wood-using industries, clothing, and electrical apparatus. In addition, new capacity will be available in the fields of iron products, glass, and beverages.

At both Saint John and Moncton, the railroads are expanding their facilities for moving large volumes of freight. The Canadian National Railways are undertaking an investment program at Moncton which is expected to involve expenditures in excess of $20,000,000.

In brief, the overall level of economic activity in New Brunswick during 1959 will be determined basically by events in other parts of North America and overseas. Growth seems assured, however, in many sectors of the provincial economy.

A. E. GRAUER

President British Columbia Electric Company Limited

The next 12 months may not be spectacular. They will, however, see the recovery of numerous industries from the difficulties which they experienced in 1958. Others, like my own, should continue to grow, but at a rate somewhat less than their postwar average. Even this has its compensations. With demand moderating somewhat, our operating and engineering staffs will have more time to plan for the orderly development of our various services.

A. E. Grauer

Few commodities have been required in such volume as have electricity and natural gas. Consumption has increased substantially since the end of World War II. Sales, on the average, have been doubling every six or seven years. Utilities concerned with the marketing of these highly desirable forms of energy have, therefore, come to be regarded as sound investments, regardless of whether the short-term outlook is good or bad.

We have encountered periods of consolidation before. On such occasions, sales to some types of customers have tended to slow down more than others. Residential and commercial customers have also had to postpone their outlays on new power using and other types of equipment. Yet this year, compensating influences are at work. Population growth and the need for greater efficiency in industry will be creating more accounts and augmenting consumption in others. Not only are many more homes and stores being built, but a higher level of business activity is reinforcing the demand for such energy intensive commodities as aluminum, cement and heavy chemicals. These decisions, in total, are bound to increase the volume of business done by the nation's electric power and natural gas distributing companies.

The outlook, of course, differs from one region to the next. In British Columbia, our resource industries have been expanded considerably over the past decade. Now, with a good deal of new capacity on our hands, we find that the market is unable to absorb all the lumber, pulp and paper and mineral products which these plants are able to produce. Inventories have been mounting and over-production has resulted in lay-offs in some outlying communities. Firms supplying these industries with process materials and equipment are affected, as are the wholesale and local retail outlets whose activities are tied more closely to consumer spending.

There are reasons for optimism as well. More houses are under construction than ever before. Investments in new shopping centers and other commercial establishments may be higher than they were in 1958. Many industries are also making additions or improvements to their local manufacturing facilities. Government spending on schools, roads and other facilities will, we know, be maintained at a relatively high level. These influences, together with a reasonably stable market for lumber and pulp and paper products, may yet suffice to make 1959 one of the best in B.C.'s short though spectacular history.

B.C. Electric, like most other utilities, must plan for the longer-term future. Characteristically, its expansion program reaches five or more years ahead. The company will invest $95 million over the next 12 months, on capital additions of one kind or another. This is $10 million more than that spent on new plant and equipment in 1958. Close to $80 million will go towards the erection of new electric power generation, transmission and distribution facilities. $12.5 million will be devoted to the expansion of our natural gas sales. At least $2.5 million will be spent on the re-equipment and modernization of our rail freight and urban transportation systems. As about 70% of these monies will be devoted to the purchase of materials and the payment of salaries and wages in this province, B.C. Electric will be doing its part to make 1959 another prosperous year for the Province of British Columbia.

G. B. GORDON

President, Dominion Textile Company Limited

In complying with a request for an article to appear in an American publication, but written from the standpoint of a Canadian textile manufacturer, it is well-nigh impossible to avoid the temptation of drawing comparisons between the conditions under which the textile industries operate in the U.S.A. and Canada. The great basic difference is that the domestic market for textiles in the U.S.A. is to a very large extent supplied by the American textile industry, whereas the Canadian mills must struggle to maintain even a 50-50 share of their market in broad areas.

George Blair Gordon

Dealing specifically with the cotton manufacturing business, as exemplified by the cotton yarn and cloth mills, these producers in the U.S.A. are inclined to stress the fact that they are forced to pay a price for their raw material that is several cents per pound higher than the world price of the commodity. Not so much is heard of the fact that an American mill exporting cotton yarn or cloth is entitled to an "equivalent" export subsidy in an amount somewhat greater in cents per pound of yarn or cloth exported than the extra cost per pound of American raw cotton over the world price. In exports to Canada the American exporter cannot legally pass on the benefit of the American export subsidy to the Canadian customer without contravening the Canada Customs Act, but it is manifest how attractive Canadian business must be when it carries such a substantial return over and above the price in the American market for the same goods. To the extent that the American exporter does *not* pass on the export subsidy to the importer he is in pocket.

The American and Canadian cotton manufacturers have a common problem in respect of cotton fabrics and garments made in Japan. Through the quota arrangements established between the American and Japanese Governments the problem has been dealt with much more effectively and definitely than in our case, where exports from Japan to Canada are only limited in certain types of goods, and those solely by the say-so of Japan. The proportionate share of the market which can be occupied by Japanese garments, etc., under these limitations is also several times greater than under the American-Japanese arrangements.

The Canadian cotton manufacturing industry, therefore, enters 1959 with some very definite continuing problems. It is encouraged by the recent improvements in the American grey goods market, for when American mills are selling their basic products below a break-even point the Canadian mills are forced to follow suit, because of the exposure of this market to American goods and prices. You can well appreciate why we hope that the market situation in the U.S.A. continues to improve during 1959.

C. M. HARDING

President, Harding Carpets Limited

In 1958 the Canadian economy demonstrated its capacity to meet the pressure of a recession and in the latter part of the year showed quite a definite recovery. It should be remembered, however, that the depth of this recession was by no means as severe as that in the United States.

C. M. Harding

I think we can look forward in 1959 to a continuation of this recovery trend, but it will be on a modest scale and, in some cases, quite spotty. The shift from a reduction of inventories to an accumulation of inventories on the manufacturing level should provide a stimulus and, also, industrial construction and home construction, though not expected to be at record levels, will still be high.

It would appear that most businesses are forecasting a good year for 1959 as regards volume, but most executives are aware of the possible squeeze of higher costs of labour, freight, etc., on the over-all profit picture.

There are certain problems which are confronting this country, the solution of which will undoubtedly affect the economic picture. They are as follows:

(1) Inflation—the stability and value of our dollar
(2) The problem of our greater average unemployment
(3) The continuing government deficits and the consequent weakness of the government bond markets.

The solution to each one of these must be the concern of Ottawa and will require some courageous and probably unpopular decisions, but it will also require the co-operation of all aspects of our economy—business, labour, and agriculture.

Some unpopular decisions may have to be made, but we have before us the example of the manner in which the authorities of the United Kingdom tackled their problems, faced up to them in a realistic manner, and would now appear to be reaping the benefit of the steps which were taken.

In our own particular industry, that of the carpet industry, as a section of the home furnishing field, we look forward to improved business for the new year, and a good demand for our products.

We are still aware, however, of the pressure of higher internal costs which may aggravate the existing problem of low-priced imports from low-wage countries.

J. G. HUNGERFORD

President, National Trust Co., Ltd., Toronto, Ont.

In some respects the economic forecasts for 1959 may have a touch more of assurance than those made a year ago. As far as Canadian industry is concerned, it should continue to give a good account of itself as long as free world economic activity is maintained at its present level, with reasonable chances for improving prospects.

J. G. Hungerford

If we have a stabilization of prices, this will no doubt tend to cause a levelling out of our Gross National Product figure. The growth reflected by Gross National Product that has been indicated by the dollar total has not been shared by all industries, but excess capacity noticeable in certain instances may in some cases be reduced and profit margins could increase.

Further inflation could result in a continued preference for equities as an investment medium in spite of some apparent overvaluations. The movement of bond prices in 1959 will to a great extent depend on fiscal and monetary policies which have not been resolved.

LEONARD HYNES

Vice-President, Canadian Industries Limited

The growth potential of the chemical and allied products industry in Canada even under adverse economic conditions was further demonstrated during 1958. Production by the industry reached a record value estimated at about 7% above that for the previous year, representing an increase in physical volume which came close to the average annual growth rate of the post-war years.

Leonard Hynes

There are strong indications that a further advance in production rates will be achieved in 1959; substantial additions to capacity have been made in recent years, and improved economic conditions in 1959 should result in increased demand for chemicals.

New capital investment in the chemical industry during 1958 fell by an estimated 10 to 15% below the $149 million invested in 1957, but was at a very high level owing largely to completion of a number of projects announced or initiated during the previous year. There have been few recent announcements of large new chemical projects which suggests a further decline in capital expenditures in 1959.

There is no evidence, however, that the decline will be either sharp or prolonged and as the population increases and requirements expand, chemical consumption in Canada should continue to stimulate the growth of the industry.

HENRY R. JACKMAN

President, Dominion and Anglo Investment Coporation

Canada's investment prospects are well summed up in a Jan. 5th speech by the Honourable Donald M. Fleming, our Minister of Finance: "1959 begins with many early advantages over 1958. The domestic improvement is matched by an improvement in conditions in the United States and abroad which will undoubtedly benefit Canada. The prospects before this country are dazzlingly bright. There never was a time when Canadians had more reason for confidence in their country and her future. Canadians are not a mercurial people. At their best they are steady, stable and self-reliant. The Canadian economy has its problems, but it is sound and strong. Canada remains the best investment in the world."

H. R. Jackman

Canada has had a remarkable record. During the recent North American setback, industrial production in the United States fell by about 14% while that of Canada fell by only about half that figure. With Government financial assistance to credit-worthy borrowers, residential construction in 1958 has shown an increase of about 25% over 1957. This factor together with increased spending on institutions and community facilities did much to offset the decline in other capital expenditures.

Conditions in both our countries have now established an apparently strong upward trend so that 1959 is ushered in with many advantages over 1958. The stock market in Canada has also discounted this factor but not so much as in the United States. If the world economy is

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Securities Salesman's Corner

By JOHN DUTTON

The Special Situation

During the past few years there has been an increasing awareness on the part of certain very astute and able speculators that the best possible means of building capital today is through the purchase of "special situations." Such investing for exceptional potential capital gains is not to be confused with that offered by the usual type of market trading which is synonomous with the "board room," the recommendations of reputable advisory services, or the kind of suggestions that appear in representative broker's market letters. These opportunities consist of the purchase into smaller and growing companies, usually identified with some type of highly technical product, or a company that may be identified with the development of real property in growing areas.

Certain growing companies in the electronic, chemistry, and land development activity have been the favorite vehicles for achieving capital gains of several thousand percent during the past few years. None of the stocks in these companies originally were of investment quality, but many have grown into substantial enterprises and their shares have then been listed on a National Stock Exchange. The real profit opportunity, however, has existed only before listing when these stocks were only available in the Over-the-Counter Market.

Popularity Increasing

The impact of an ever increasing tax burden on earned and unearned income is forcing men of means into ventures where their capital grows internally, and the ensuing capital gains can be taxed at a maximum of 25% rather than up to 90% as is now the case in top income brackets. Also, the advent of technical and scientific know-how in the fields of electronic devices, transportation, and the military developments of this present era has created an opportunity for "brains" to become the most valuable asset any business can have. Brick and mortar, tools and man power are today only the lesser ingredients that create profits on a vast scale for many small enterprises. A handful of brilliant scientists can come up with a product so revolutionary that its production costs and sales, and general and administrative expenses incident to its marketing are not burdensome. This is one field where the labor bosses are impotent. The profit margins are realistic and allow for continued expansion of many of these young companies, since their research activity continues and in most cases is a deductible expense before taxes. There is also the possibility that any day some additional new and revolutionary development will be created out of lessons learned from past experiments and thus create additional profit possibilities. Meanwhile, the capitalization of these companies in most instances is quite small and the earnings on a per-share basis can mount perpendicularly. The combination of a favorable tax situation, plus the foregoing opportunity for high profit per share, has attracted some of the most keenly speculative minds in the country.

The Investment Salesman

The experienced investment salesman who is conversant with the possibilities for the development of these very capable and substantial speculative accounts that are interested in this type of very ultra "special situation," can also build a substantial appreciation in his own assets as well as his commissions if he is capable of handling this type of business.

In next week's column, we will deal with certain aspects of the development of such accounts, how to find them, and how to participate as fully as possible in some of the great possibilities for capital growth that are inherent in this increasing active segment of the investment security business.

Detroit Stock Exchange 52nd Annual Dinner

DETROIT, Mich. — The Detroit Stock Exchange will hold its 52nd Annual Dinner at the Statler-Hilton Hotel on Tuesday, Feb. 3, 1959, at 7:00 p.m.

The guest speaker will be Dr. William H. Alexander of Oklahoma City, Okla. Dr. Alexander's subject will be "The Power to Become," an inspirational and hard-hitting talk of the type that is responsible for Dr. Alexander's being rated by the National Chamber of Commerce as one of the top 10 public speakers in America.

The dinner will be attended by approximately 450 members of the Detroit Industrial and Financial community.

Are Stocks Too High?

By ROGER W. BABSON

Mr. Babson explains why he is not equivocating in answering the question whether stocks are too high. After emphasizing the extent of "chance" in the law of chance, the writer believes the "*chances* 60-40 that stocks will go down considerably in 1959." Advises patience before buying stocks for profit.

The readers of this column really want to know whether stocks will go up further and, if so, how much further. The fact is that nobody knows and any answer is a mere guess. I, however, am absolutely unbiased in my answer. I have never accepted a commission for the sale of a share of stock or a bond, nor have I ever borrowed a penny! My personal holdings are now about one-third in cash, one-third in short-terms bonds, and one-third in a well-diversified list of common stocks. Therefore, whatever the market does is okay with me. Forgive the above personal reference; but I want to guarantee readers that this article is absolutely unbiased.

Roger W. Babson

Moreover, I am not blaming brokers for usually being bullish. They have wages, rents, and private wire costs to pay; and they find that 80% of their customers will trade only on the "up side." Therefore, they must be bullish or get out of the business. Magazine writers and radio news commentators know they can get their materials accepted most readily by being bullish. Surely the bureaucrats in Washington know they can keep their jobs only by holding their tongues or by being optimists. I do not blame any of these; they must eat! I merely want my readers to take "with several grains of salt" what they hear and read today about the stock market outlook.

The Law of Chance

Now, what do I know?—Many years ago I took a course at the Massachusetts Institute of Technology which discussed "chance." This was later followed by studies in "Relativity" by Dr. Einstein. Briefly this law of chance means that nothing is fixed, or sure, or certain. Everything we do must be based upon guesses. The secret of health, happiness, and prosperity is to make the right guesses and then have the self-control and persistence to follow through on these guesses.

Now let us apply this law of chance to the stock market. There is no basis for any banker, broker, or financial writer to tell you that the stock market is definitely going up or going down. Honest, intelligent, and experienced investment advisors will tell you that the chances are 60-50, or 50-50, or 40-60, or 30-70 that the market is going up. They will not hedge or straddle; they can honestly be bullish or bearish. But they will talk in terms of chance and not be imperial.

What About Special Stocks?

I recently asked the President of one of America's 10 largest companies why it is so difficult to get him to give an opinion on his own stock. He replied: "Because I know that for every buyer of my stock, there must be a seller. These buyers and sellers know little about my company, yet they determine the price of its stock. But this is not all. The stock goes up when the buyers are more anxious to buy than the sellers are to sell, and vice versa."

The above means that the price of an individual stock depends upon the **impatience** of the public to buy or to sell it. **Impatience** truly controls the price of every stock. The total average of this impatience determines the Dow-Jones Averages and all the stock indexes. That is why no IBM or other machine can make a true forecast. Even accountants and statisticians are only morticians, exhuming and dissecting the past. They can only guess as to the moods of the people, which determine whether stocks are going up or down.

In order that readers may not think I am dodging or evading the main question. I will say that the chances are 60-40 that stocks will go down considerably in 1959. Hence, the chances are in favor of those with the patience to wait longer before buying stocks for profit.

Milwaukee Co. Names Six Reg. Representatives

MILWAUKEE, Wis. — Six new registered securities representatives, one of them a woman, have been named by The Milwaukee Company, members of the Midwest Stock Exchange, it has been announced by Joseph T. Johnson, President.

They include Mrs. Donald C. Booth, Raymond K. Gooch, Michael A. Jacobs, Franklin E. Parks, Jack K. Thompson, and Cornelius T. Young, Jr. Mrs. Booth and Messrs. Jacobs, Thompson and Young are serving in the firm's 207 East Michigan Street, Milwaukee office. Mr. Parks is located in Waukesha, where the investment firm opened a branch office earlier this month, at 744 Grand Avenue. Mr. Gooch is in the St. Paul, Minn., office, Endicott Bldg.

Before joining The Milwaukee Company, Mr. Parks served nine years with the National City Bank of New York. Mr. Jacobs formerly was associated with the attorney general's office in Madison, Wis., as a legal assistant. He is a security analyst for The Milwaukee Company. Mr. Thompson has been a security analyst with The Milwaukee Company since 1957. Prior to that he was with Paine, Webber, Jackson & Curtis.

P. D. Greenwood Opens

FRANKLIN PARK, N. J. — Philip D. Greenwood is conducting a securities business from offices at 11 Springdale Road.

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shaping for a general increase in prosperity, this factor may well mean relatively more for Canada than for most other countries.

Confining this short review to the general situation rather than that of particular industries, all of which have their pluses and minuses, let us look at the construction of Canada's economy. We are a small, widespread, fast-growing, high standard-of-living population. We cannot count on generating a self-contained boom prosperity. We must export from our treasure house of natural resources, the more finished the form, the better. A comparative wage structure with that of the United States militates against this, but efficiency, abundance of raw materials and large-scale operation make Canada competitive in world markets. Exports during 1958 have equalled or exceeded those of 1957, and our imports have lessened. Every million people we add to our population lessens our geographical handicap and increases our prosperity.

To an extent we are a marginal supplier of many of the world's commodities—importing countries tend to rely on their own resources first during economic recession—and thus Canada stands to gain greatly from a rising world economy. The restoration of convertibility of currencies and the common market in Europe may bring about higher operating ratios which will spell boom prosperity. Canada is a good place for the investment of at least a part of one's funds.

EDWARD H. LaBORDE

President, Canadian Homestead Oils Limited

For 1959 the oil and gas industry of Western Canada can anticipate a major strengthening of its position as the one of politically and economically safe areas of supply.

Edward H. LaBorde

The past year has witnessed a continuation of adverse political and economic pressure on oil companies operating in the Middle East or in Venezuela, the two principal "free-nation" sources other than the United States and Canada. Iraq, the keystone to Persian Gulf stability, is reported to be showing signs of increasing communistic pressure, which continues to heighten the possibility of an eventual disruption in the flow of oil from the Middle East. Meanwhile, political pressures in Venezuela indicate a greater share of the profits of that country's oil production will go to the benefit of its government, in the form of a tax or otherwise. Against this background, the Canadian oil and gas industry offers a favorable economic climate, and we in Canada all hope for a continued atmosphere of political understanding and cooperation.

Early in January, an oil industry weekly, "Petroleum News," published in London, urged that Britain should hasten development of oil production in Canada to free herself from the political uncertainties and her dependency on her present main suppliers in the Middle East and Venezuela. It emphasized that Canada is the only country with large oil reserves which can be developed immediately and imported to Britain free from political interference and at competitive prices. It urged that business interests which may control marketing outlets both in Eastern Canada and in Great Britain must provide a market for western Canadian oil.

The continuing trend of political developments in the Middle East and Venezuela are tending to reduce the attractiveness of these areas for capital investment by the oil industry. This same trend may well increase the attractiveness of Canada for a further expansion of its development, an expansion which is entirely necessary in the light of the ever-increasing world demand for oil.

Development of the industry in Canada is moving rapidly, with many plans under consideration for export of oil or gas. Even if all of these plans were approved as of today, the lag in construction of pipe lines would delay immediate improvement in production and marketing. Nevertheless, the oil and gas industry of western Canada is being built on a firm and lasting foundation, for major economic growth.

CHARLES S. LEE

President Western Decalta Petroleum Limited

Nineteen Fifty-seven was a year of boom for the oil industry; 1958 was one of recession and difficulty and the Borden Commission hearings held partly here in Calgary gave rise to a healthy and very critical self-appraisal of the economics of the industry; and 1959 should be a year of restored growth. It could be a vitally significant year if we either acquire or obtain the promise of expanding crude oil markets. Already the past four months have seen a seasonal increase in Alberta production from 280,000 barrels per day to 404,000 barrels per day.

Charles Stirling Lee

Spokesmen for major oil companies are now endorsing the independent oil companies view that it is virtually impossible for Canadian crude produced under a North American system of prorationing and at the North American level of costs to compete in its logical markets in the United States. It seems to us that the only possible extension of our markets for Canadian crude is in the Montreal area.

Recent events in Venezuela and the Middle East have shown how risky it is to tie Canadian economy to these politically unreliable areas. In particular, the demand by the Venezuelan Government for a greater share of oil company profits—a demand, by the way, which could be repeated again and again—demonstrates that Canadian crude is the only reliable source of crude oil in its own markets.

The activity of every phase of the producing industry, be it drilling, seismic or service companies, supply houses, pipeliners or white collar workers, is vitally affected by this marketing problem. The promise of increased markets, even two or three years into the future, will stimulate the entire economy. Even if the industry does not receive the green light for marketing its excess crude, we look forward to a general improvement over 1958 and there has been evidence of this already. Statements from both Canadian and U. S. business circles are optimistic and the relatively cold winter which we have experienced so far has already led to an increase in the demand for petroleum products through the outlets which already exist.

We anticipate that production in Alberta will be from 5 to 10% higher than it was last year, averaging, say 340,000 barrels per day. The allowable for Alberta rose to 404,000 barrels per day for January. We do not expect any substantial increase in exports to the U.S.A. in spite of the additional 12,000 barrels per day now going into the Puget Sound area. We believe that the drilling activity, particularly in the earlier part of the year will be no less and may be higher than it was last year.

There is a great possibility of extending the huge gas fields which showed up in 1956 and 1957. We expect interesting developments in the Berland River area, the Windfall area and several of the important foothill structures which have given excellent prospects. The extension of gas gathering facilities for these potentially huge reserves is already being freely discussed.

In recent Crown Sales, prices for proven land have been well maintained and unexpectedly good prices have been paid for very remote wildcat acreage in Northeastern British Columbia and the Northwest Territories. It is characteristic of the industry that at a time when it is constrained for markets for its crude oil it should have been reaching out into the farthest north country, where even greater difficulties would have to be faced if oil was discovered in any quantities. It should be of great encouragement to our Government that the oil industry, in spite of its difficulties, is prepared to take the lead in developing the far north.

A. N. LILLEY

President, McColl-Frontenac Oil Company Limited

With the gradual improvement which is predicted for Canada's general economy in 1959, it is anticipated that an increase of 6 to 7% will occur in demand for petroleum products. We believe that earnings of the petroleum industry which were reduced in 1958 because of the general but relatively mild economic slowdown and the intensive competition which developed within the industry, will improve in 1959. A rise in labor and other operating costs might delay the rate of improvement and retard the formation of capital which is essential if this industry is to keep pace with the ever-growing demands of the Canadian consumer.

A. N. Lilley

The expected increase in product demand should boost the industry to record levels in 1959. Greater activities in all forms of transportation—air, road, rail and water, should occur and contribute largely to the increase in demand for petroleum. With normal climatic conditions during the winter months, consumption of domestic heating oils should reach a record level, despite the availability of natural gas which will share some part of the space heating and industrial markets.

I believe that oil exploration activity, mainly in Western Canada, will be slightly greater than was the case in 1958. The anticipated development program could be seriously affected, however, by a curtailment of investment capital if the recommendations of the Royal Commission on Energy are implemented by the Federal Government.

Looking back over 1958, we observe that consumption of petroleum products in Canada registered its smallest annual increase in the postwar period due to the moderate slowdown of industrial activity and generally milder weather across the country last winter.

Demands for gasolines and diesel fuel in 1958 showed modest gains over the previous years, domestic heating oils registered little change but heavy fuel oil declined sufficiently to offset a major portion of the gains achieved in the other products. Reduced activities in key industries, such as the pulp and paper and aluminum group, the early retirement of oil burning steam locomotives and fewer vessels calling at Canadian ports, contributed to the decline in heavy fuel oil demand.

Exploration activity in 1958, as measured in terms of well completions, declined about 15% as a result of the reduced export and static domestic requirements of crude oil.

L. F. LONG

President, Building Products Limited

The rate of industrial activity in Canada seems to be following that of the United States into an area of recovery. There is every reason to expect that this will continue through 1959. This recovery in turn will tend to revive immediate interest in expansion plans involving additions to existing facilities and establishment of new plants. It therefore seems reasonable to expect a rising trend in industrial construction, accelerating towards the latter part of the year.

L. F. Long

Institutional and commercial building has been a steadying influence through the recent recession. The expansion of institutions will certainly continue by reason of (1) the great interest in expanding educational facilities; (2) the great demand for hospital facilities which is being stimulated by the new government hospital plans; and (3) by government interest in this type of construction as a means of unemployment relief. Strictly commercial construction should maintain its pace by reason of continued demand for new suburban shopping centers, expanded office space, etc.

Residential construction has been the brightest spot in the construction field in Canada over the last year, and the record rate of housing starts continued up to the end of the year. If anything approaching the 1958 rate of housing starts is to be continued there will have to be substantial additional government support. Interest rates on conventional mortgages will be high and, by the same token, NHA insured mortgages will be less attractive to the chartered banks and other approved lending institutions. Lack of financing is therefore likely to be a curb on residential construction, unless the government fills the breach. As low cost houses seem to be selling as fast as they are completed, it is probable that the government will go a long way toward providing the necessary mortgage funds. However, it would not be surprising if the rate of housing starts in 1959 were somewhat below the record rate of 1958.

There do not appear to be any serious shortages of building materials which will interfere with a high rate of construction activity in 1959. Prices of some building materials will advance due to increasing cost factors, and others because of depressed price conditions which existed in 1958. With the unit costs of both building materials and building labor continued to advance there will be a continued effort to hold down the cost of completed buildings by more efficient methods of fabrication and assembly, and by substitution of the cheaper but often more satisfactory products which are coming out as the result of research.

HON. E. C. MANNING

Premier of Alberta

The Province of Alberta, Canada's fastest-rising industrial power, continued her industrial, agricultural and population expansion during 1958 as some new indices levels were reached and others maintained. A particularly noticeable upward surge in production during the last quarter indicates that 1959 will be another "banner year" in the history of the province.

Hon. E. C. Manning

Alberta, with a population of 1,201,000 or about 7% of Canada's total, drew approximately 10% of the nation's investment, reflecting investors' optimistic outlook in the province's future.

Public and private investment in Alberta during the past year exceeded $1,100 million, an increase of $100 million over 1957, and $30 million over the previous peak set in 1956.

During the past five years more than $500 million has been invested in the province by industry—on new plant construction and expansion. In 1958 nearly $65 million was invested in manufacturing concerns while housing expenditures climbed to a record $162.4 million.

Decentralization of industry is one of the most significant factors in Alberta's economic transition. An increasing number of plants are being constructed in smaller cities and towns, to make greater use of the province's primary and secondary raw materials. Former agricultural centers as Blackfalds, Okotoks, Cynthia, Lethbridge, Medicine Hat, Red Deer, Pembina, Wabamum, Pincher Creek, Whitecourt, Taber, Nevis, Duvernay, Breton, Camrose and others are becoming industrial and no longer dependent upon agriculture as their only means of livelihood.

The 1958 value of manufacturing in Alberta is expected to exceed that of basic agriculture for the third straight year. Value of production is estimated to be about equal to the 1957 figure of $762 million. The figure for agriculture is also expected to remain near the 1957 value figure of $595 million.

Alberta's 2,200 manufacturing plants have expanded to include almost every field. Textiles, clothing, cement, and clay products, glass, ore refineries, steel mills, sports

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Review and Prospects For Canada's Economy

promise bright opportunities for energetic Canadian exporters and should go far to fulfil the goal of the Montreal Conference, "an expanding Commonwealth in an expanding world economy."

To obtain a perspective on developments during 1958, it is necessary to refer very briefly to the over-all economic trends during recent years. The record-breaking expansion in Canada in 1955 and 1956 had been characterized by an immense business capital investment boom which had its origin in a rapidly rising world demand for industrial materials. In early 1957 it became apparent that many commodity markets were moving into a position of oversupply. This had the effect of dampening plans for further expansion in the resource industries and as the mood of caution developed, it spread to other industries. By the end of 1957 inventory liquidation began to make itself felt, with the result that a portion of total demand was being met from existing stocks rather than from new production.

These developments led to a noticeable decline in economic activity particularly in the durable goods manufacturing sector. By Dec. 1957, industrial production had fallen 7% below peak levels. After a short period of hesitation, output began to show some strengthening in April, 1958, and in the third quarter of 1958 industrial production was at a level about 2% above the previous low point. Industrial employment, after adjustment for seasonal variation, declined between August, 1957, and March, 1958, but gained during the succeeding six months.

The inventory liquidation which prevailed in 1957 gave way in recent months to inventory accumulation.

External Economic Conditions

Canadian experience was, to a marked extent, influenced by economic conditions abroad. The industrial countries of Western Europe underwent a period of slackening growth in 1957 and 1958 and there was a short but relatively sharp economic recession in the United States. These factors were reflected in a reduction of the demand for raw materials from third countries, and the consequent decline in foreign earnings, particularly for countries dependent on primary production, had an adverse effect on the international trade in industrial goods.

Events in the United States have, of course, an important bearing on world economic conditions and especially on Canadian economic developments because of the large-scale movement of goods, services and capital between our two countries. It is therefore reassuring to see that during the course of 1958 the United States economy has been making a firm recovery, and it is encouraging to note that qualified commentators in the United States are almost unanimous in predicting a sustained and accelerating upswing in 1959. At the same time it is a fact of some importance that the recent contraction was more severe in the United States than in Canada. Industrial production in the United States fell by about 14% before the decline was reversed, compared to a drop in output about half as large in this country.

Throughout the post-war period population growth and the discovery of rich resources exerted a strong impetus on the Canadian economy and these influences continued to be felt during 1958 despite the difficulties experienced since early 1957. Indeed, a variety of factors were at work, sustaining total Canadian production during the recent recession and contributing towards the current recovery. The most important of these were: an all-time record in consumer spending; an all-time record in residential construction; an all-time record in our export trade; and last but not least, a large and determined effort on the part of the Government to counteract slackness in the private sector of the economy through public works and other constructive measures.

Rise in Personal Income

Despite lagging production and employment there was an almost continuous rise in personal incomes in 1957 and 1958. This made it possible for Canadians to expand their purchases of consumer goods and services while putting aside a relatively large proportion of their earnings in the form of savings. In the first nine months of 1958 personal incomes were 5% higher than in the same period of 1957. This strength, in turn, contributed to a rise of 4% in consumer outlays in the first nine months of 1958 compared with a year earlier. To an important extent personal incomes were supported by substantially higher transfer payments from government, including increases in old age pensions, veterans' benefits, family allowances and unemployment insurance as well as assistance payments.

Residential construction, largely because of a shortage of mortgage funds, had declined severely in the second half of 1956 and first half of 1957. In the second half of 1957 the competition for loan funds from other investment outlets became less intense, and over half a billion dollars of government funds were made available to augment housing loans supplied by private lenders. Additional stimulus was provided by new Federal legislation reducing down payments and lowering income eligibility requirements on homes financed under the National Housing Act. The actions taken by the government in the field of housing were a major factor in bringing about a record level of housing starts for the 12 months' period beginning in the fourth quarter of 1957. In the first nine months of 1958 expenditures on residential construction were 28% higher than in the same period of 1957. This increase, together with higher outlays by governments and institutions on community facilities, offset the greater part of the decline in business capital expenditures.

Exports Held Strong

Notwithstanding the weakening of world markets in general and the downturn in the United States in particular, total Canadian export sales have been well maintained and for the first 11 months of 1958 slightly exceeded those in the same period in the previous year. Larger sales of wheat, beef, uranium, aircraft and farm implements were sufficient to balance the declines which occurred in the export of industrial materials. Stability in our exports was accompanied by a substantial reduction in imports, largely due to the fall in demand for investment goods. The decline in imports meant, of course, that the burden of economic adjustment in Canada was shared to some extent by our foreign suppliers. As a result of these overall trends the Canadian trade deficit for 1958 will be substantially reduced, and will indeed be lower than at any time in the last five years. The deficit in our trade with the United States will be little more than half of what it was in 1957.

In addition to the comprehensive Federal program in support of housing, the substantially higher government expenditures in the social security field and increased fiscal payments to the provinces there were also widespread Federal tax reductions during the last 12 months affecting the business community, provinces, municipalities and the individual taxpayer. Besides these measures, which served to underwrite purchasing power and thus strengthened production and employment, the Federal Government has made available to the provinces additional financial assistance for resource development. Furthermore, in the Federal sphere the government embarked on a greatly enlarged public works program. Special encouragement has been given to construction work carried out during the winter months.

Finally, Gross National Product in 1958 attained the record figure of $32 billion, precisely as was estimated last June in the budget presentation.

Canada Conversion Loan 1958 and The Bond Market

The principal event in Canadian financial history in 1958 was the Canada Conversion Loan operation. It was the largest and, I think I may say, the most successful financial operation in Canada's history. Let me remind you of the situation in which the decision was taken last summer to embark on this undertaking.

In April, 1958, the rising trend in bond prices was arrested. Indications of economic recovery appeared, with its prospective concomitant of a growing demand for money from non-government sources. In the United States worry about the size of the government's deficit and borrowing requirements and fears of inflation emerged at an early stage and a sharp and continuing decline in bond prices set in.

The last reduction in the discount rate of the Federal Reserve Banks of the United States was made on April 18. Bond prices in that country hit their peak on April 21. A decline then set in which was temporarily interrupted in the latter half of May, but then continued with little interruption until Oct. 3. A further decline in bond prices began in the last week of November and has continued in that country up to the present time.

It is not to be expected that Canadian bond prices will always follow United States prices even in direction over short intervals, let alone in degree of movement, but undoubtedly developments in the United States are bound sooner or later to have a weighty influence on developments in Canada. And so it has been in 1958.

The average maturity of the public debt has been shortening for several years, both in the United States and Canada. The large volume of securities falling due for repayment each year was a matter of concern to fiscal authorities in both countries, and a serious handicap to the sale of new issues for cash in a period of government deficits.

By the end of June the market atmosphere was very unfavorable to new financing, yet the Government of Canada needed large sums of new money in the immediate future. Funds could be obtained as a last resort from the banks, with the Bank of Canada providing increased cash reserves to the chartered banks, but after the large scale purchases of government securities by the banks and corresponding monetary expansion in the preceding 12 months this would have been regarded as dangerously inflationary, unless other steps could be taken simultaneously to deal with the public debt structure and make possible the sale of future issues of government bonds to non-bank investors. At the same time some way had to be found to reduce the heavy proportion of short-term bonds and increase substantially the proportion of long-term bonds.

The five victory loans totaling $6,416 million had ultimate maturity dates between Jan. 1, 1959, and Sept. 1, 1966. In addition, all these issues were callable on or before Sept. 1, 1961. This prospect, in addition to non-victory loan maturities and the need for heavy new borrowings, made debt re-organization imperative if a high degree of confusion and demoralization of the bond market was to be avoided and a sound basis created for financing Canada's expansion and development. The conversion of all five victory loan issues was more equitable, more efficient and less costly than a piece-meal approach.

Need to Improve Debt Structure

Fundamental to the project was the idea that it would be easier to sell the public long-term bonds in exchange for bonds which they already held than to sell them long-term bonds for cash. The prospective cash requirements of

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fishing lures, plastics, and scores of primary products are being produced in the province.

Slight decreases in some industries in 1958 were offset by an estimated $20 million increase in output from meat processing plants. Gross production value from packing plants was approximately $175 million, maintaining a long lead over all other single manufacturing industries in Alberta. Other industries allied to agriculture also posted gains in 1958. In the first 10 months of the year flour production value increased more than $2 million, to $19.2 million; gross sales of dairy products jumped nearly 8% to $34 million.

The petro-chemical field has been the leader in the strong upward swing of manufacturing in Alberta. Today there are 11 oil refineries and numerous other firms using the by-products of oil and natural gas as their primary material.

Gross sales of refined petroleum goods maintained a steady rise in the first 10 months of 1958—$136 million as compared with $133 million for the same period the previous year. Butane and propane production dropped slightly but sales held at the 1957 level. Cement production rose from 2,989,529 barrels to 3,193,871 barrels with a $700,000 increase in value. Gross sales of cement products rose by nearly $2 million.

Production of crude oil dropped by some 27.5 million barrels during the first 10 months of 1958 to 92.6 million barrels. Value of crude oil dropped from $313,613,386 to $233,368,741 in the same period. Natural gas production in the corresponding period rose from 195,663,809 mcf to 230,390,056 mcf.

While international conditions have resulted in decreased oil production, exploration is continuing, to bring proven oil reserves to 2.4 billion barrels and the proven gas reserves to 22 trillion cubic feet.

Electric power generation in Alberta is being stepped up year by year to keep abreast of the growing demand not only by domestic users but industry as well. During 1958, generating capacity was increased by 152,000 kilowatts, largest annual increase in several years. Total generating capacity is now 748,000 kilowatts. Scheduled increases will bring the province's total generating capacity to 1,116,000 kilowatts by the end of 1962.

The potential power sources in Alberta, however, have hardly been tapped. Surveys have shown that there are still many ideal locations for power plants on two major rivers, yet undeveloped.

Among Alberta's major industrial developments of 1958 is the $2.7 million vegetable oil processing plant, nearing completion at Lethbridge. First of its kind in Alberta, the plant is designed to produce both edible and commercial type oils.

In October, a $25 million gas processing plant operated by British American Oil Company went on stream at Pincher Creek. Its capacity is 140 million cubic feet of sour gas per day with propane, butane and condensate the main products.

Another gas processing plant, for the extraction of sulphur, was put into operation in 1958. Located at Okotoks, the $8 million enterprise is operated by the Texas Gulf Sulphur Company and Devon-Palmer Oil Company.

Other major projects under way include Northwestern Utilities $6,000,000 gas plant at Calgary; Shell Oil Company's $2,000,000 petroleum products plant at Okotoks; a $17,000,000 gas plant at Pembina, by the Goliance Corporation; Fibreboard Manufacturing Limited's $500,000 building products plant at Wabamum; Texaco Company's $1,500,000 gas plant at Cynthia; a $17,300,000 expansion to Imperial Oil's refinery at Calgary and a $720,000 plasterboard plant and plaster mill at Calgary, built by Western Gypsum Products. A $7,000,000 expansion program is also under way at Canadian Industries Limited in Edmonton.

Among the major proposed projects is a $15,000,000 petrochemical plant to be built at Blackfalds by the Polymer Corporation.

One of the strongest fields of business activity in 1958 was the construction industry which chalked up a new peak in building progress. Value of building permits issued by 10 cities and 167 municipalities was more than $227 million, up by 75% over the corresponding period in 1957. Number of contracts awarded also increased by nearly 75% to 7,753. Value increased by 30.9% to $214.3 million.

Residential contracts accounted for the major share of the construction increase—by 87% in number to 6,752, and 59% in value to $83,627,500. Substantial increases were noted in the value of business and engineering contracts. Industrial contracts rose by 20 in number, to 72, but fell 33.4% in value.

Further diversification of the economy of Alberta is indicated in a recent announcement involving possible development of vast iron ore deposits in southern Alberta.

Alberta's 171,000 square miles of forested land are also coming in for increased exploitation. One new multi-million dollar pulp mill has been in production for one year and another is slated for early construction. Six plywood plants are in operation, meeting demands of the record shattering construction program in the province, as well as export commitments.

With the possibility of increased petroleum sales to U. S. and eastern markets and further development in the general industrial field, it would appear that Alberta will remain in the national spotlight for some time to come.

HON. A. W. MATHESON

Premier of Prince Edward Island

There is every reason for optimism about the immediate prospects for the advancement of the economy in Prince Edward Island which is based on the products of the land and sea. An expanding Canadian population and a new determination on the part of the neighboring Atlantic Provinces to become more economically self-sufficient is creating new markets for our primary products. Greater mechanization on Island farms, the introduction of dragger fishing, and a proposed improvement in transportation is enabling Prince Edward Island to capitalize on this changing situation.

The certification of our seed potato crop, the establishment of a large centralized frozen food plant by a nationally known firm, extension of rural electrification and an expanded rural highway paving project are a few of the policies which are benefiting us on the agricultural front. Biggest single advance in the province's fisheries is the expanding dragger fishing fleet made possible through government financial aid to fishermen. As a result, Island fish processing plants are able to take increasing advantage of opportunities in the export markets of Canada and the United States.

An additional car ferry to the mainland and the eventual hope of nine-mile causeway between the province and the mainland are presently being sought as a solution to our transportation problems.

The causeway would provide a spur to our important export trade with other provinces and the United States. It would be of particular benefit in bringing the nearby markets of Nova Scotia and New Brunswick right to our doorstep and should prove of inestimable value to our promising tourist industry.

The inauguration late in 1958 of a water cargo service by the Provincial Government between Prince Edward Island and the rich, new industrial areas of northeastern Quebec has opened a new market for our agricultural products. A similar service to Newfoundland, established several years ago, strengthened our markets in that important area.

In view of these advances, the future is bright for our farmers and fishermen. There is every indication that the confidence of our primary producers in the future expansion of our economy is quite justified.

W. S. McGREGOR

President, Consolidated Mic Mac Oils Ltd.

Since the discovery of oil in Leduc, Alberta, in 1947, the Western Canadian Oil and Gas Industry has rapidly expanded to become Canada's most important mineral resource and no single Canadian natural resource has a greater future potential. In the five years prior to 1957, 2 billion barrels of oil and 15 trillion cubic feet of gas were discovered in Western Canada. Present reserves are estimated at 3.7 billion barrels of oil and 27.5 trillion cubic feet of gas and the ultimate reserves of oil and gas attributed to Western Canada will increase at least another ten fold. This does not include the Athabasca Oil Sands which oil reserve alone is estimated to be 100 to 300 billion barrels.


Wm. S. McGregor

The future of the industry, however, is dependent on reliable long term markets, and it is obvious the present practice of importing crude and refined products in excess of one million dollars per day is detrimental to the national interest. Furthermore, although United States is Western Canada's natural market, there isn't much point in eliminating United States restrictions against Canadian crude when Canada is unable to find buyers in the United States for even 50% of the quota allowed under the present voluntary quota system. It is therefore, becoming increasingly apparent to both government and business in Canada that the only answer to the above problem is a pipeline from Edmonton to Montreal, which area is importing in excess of 400,000 barrels of crude oil and products per day. Furthermore, a substantial part of these imports are finding their way as far west as Toronto through the Montreal to Toronto products line. A recent independent engineering survey which was presented to the Borden Commission indicates that a 36 inch pipeline from Edmonton to Montreal is not only economical but should not cause the Montreal area consumers to pay more for their gasoline or fuel oil.

The present reluctance of internationally controlled refineries in the Montreal area to accept crude from Alberta is understandable when their own oil or that of affiliated companies can be brought from the near East or Venezuela, particularly since there is no quota or import tax in existence to discourage the practice.

Although the 1958 figures are not available, Canada imported into the Montreal area and Eastern Canada approximately 403,000 barrels of crude oil and products per day during 1957 which imports were valued at approximately $455,000,000. This alone amounted to about 8% of Canada's total imports for that year. Alberta produced only $403,405,000 worth of crude and other liquid petroleum products during 1958. The value of this Eastern Canadian market to the oil industry, in fact to all of Canada, can readily be appreciated, particularly since Canada is also in an unfavorable trade balance with Venezuela, United States and the Middle East. Western Canadian daily oil potential is somewhere near one million barrels per day and at least two new additional prolific oil fields in the Simonette Area and Swan Hills Area, northwest of Edmonton, Alberta, are indicative of the continued expansion of the industry.

Besides the economic benefits in having a pipeline from Edmonton to Montreal, would be the value in times of national emergency to both Canada and the United States as it would lessen our reliance on vulnerable sources. Examples of this problem were demonstrated during the last war and more recently by the Suez crisis.

The 1958 slow down in the Western Canadian Oil and Gas Industry has naturally adversely affected drilling contractors, supply stores and all other jobbers and service companies affiliated or working for the industry, which in turn naturally had its effects down the line in unemployment, and lower Provincial, Municipal and Dominion tax revenues.

Western Canada provides a politically safe climate for foreign investments and the government and industries in Western Canada welcome this investment capital. Provided marketing problems are surmounted for Canadian oil and gas, Western Canada provides abundant opportunities, as exploration in Alberta, British Columbia, Saskatchewan, the Northwest Territories and the Yukon has only commenced. One well has been drilled on each 10 square miles of sedimentary basin in the United States while only one well has been drilled on each 150 square miles of sedimentary basin in Western Canada. An example of the rewards for exploring for oil and gas in Western Canada was pointed up recently when a successful gas well was brought in at Berland River about 125 miles west of Edmonton, Alberta. This well is considered to be the biggest gas well in the world, with a calculated open flow potential of one billion five hundred million cubic feet of gas per day.

There is not much question but what Western Canada is now more than able to supply all of Canada's oil and gas needs and in addition has an exportable surplus.

Things presently under discussion which will influence the Western Canadian oil and gas picture during 1959 are:

(1) The probable approval of gas export to the United States by the Dominion Government;

(2) The setting up, as recommended by the Borden Commission, of a National Energy Board to advise the government on exports and imports of oil and gas;

(3) Better market prospects in Eastern Canada and the United States for both oil and gas from Western Canada.

N. J. McKINNON

President, The Canadian Bank of Commerce Toronto, Ont.

Signs of recovery continue as the economy moves further from last year's readjustment. In both commerce and industry the outlook is improving, and resumption of economic growth after the recent pause now appears to be established.

The underlying market demand in several key sectors of the economy should provide a foundation for progress in 1959. Population, for example, continues to grow through both natural increase and by net immigration, which in 1958 was unusually high for a recession year. Inventory liquidation, which was never as serious in Canada as in the U. S., may now be assumed to have spent itself, and some build-up appears to be in prospect. Disposable income has been well maintained, and with savings at a high level consumer purchases should continue to expand, and broaden into the somewhat neglected field of durables. The sharp pace of recovery in the U. S., our largest export market, and some slight easing of import restrictions by the U. K., appear to justify the expectation of a resumption of the upward trend of export trade.


Neil John McKinnon

In the field of resource development we do not at present see ahead of us programs of the magnitude of the St. Lawrence Seaway, which will be completed this year. Much steady work in this field is, however, continuing and heavy exepndituers are being made over a very wide field in preparation for new mining and other developments. Access to mineralized areas, both by road and by rail, is an important aspect of the work planned or in progress. New hydro-electric generating capacity brought into operation reached a record figure of nearly 2.5 million h.p. in 1958, and other installations under construction should add a further 2 million h.p. in 1959 and more than 2.6 million in succeeding years. A start has also been made on a large scale irrigation and water conservation scheme for the prairies.

In contrast to the labor situation of other postwar years, unemployment in 1958 presented serious problems to both governments and employers. While the outlook for the months immediately ahead is colored by an unusual degree of seasonal unemployment there are underlying factors of strength that suggest at least a moderate improvement by the spring. Among these is the settlement of labor disputes that have interfered with production in a number of key industries; and a high level of contracts awarded in recent months, which bodes well for employment in the construction and associated industries.

At present there are indications that private capital expenditures may be moderately lower in 1959 than in

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the Canadian Government for several years ahead were also a major consideration. It was urgently important to improve the government debt structure, to reduce the overhang of refinancing which would have to be done in addition to new money financing, and to put as much of the government's debt as possible on a long-term basis.

The terms of the Conversion Loan were developed on the best advice, having regard for the objective, the erosion which had occurred in the market and the measures necessary to attract public investment in the long-term sector. The Conversion Loan was an overwhelming success. A total of more than $5,803 million, or more than 90% of the outstanding victory bonds, was converted.

The interest rates set on the new Conversion Loan bonds reflected the market yields prevailing at the time while taking into account the size of the operation. Exaggerated and distorted statements have been made as to the burden which these higher Conversion Loan interest rates will impose. Such statements erroneously assume that each victory loan issue could have been refunded on maturity at a 3% interest rate. The evidence is all to the contrary, especially having regard to the fact that the overhang on the market would still have persisted. Rates at the time of such refundings would almost certainly have been higher than is now the case.

The coupon rate on all of the victory loans was 3%. The average coupon rate on all of the bonds converted is now 3.83%. Since 61% of the conversions went into the 14-year and 25-year maturities, and since, having regard to call dates all of the victory loans were of three years or less maturity, this is a very satisfactory average coupon rate. The interest payable on the $6,416 million of bonds before conversion was $192,480,000. It is now $240,705,000—an increase of $48,225,000, or about 25%.

Stabilizing Effect

The Conversion Loan was a constructive and stabilizing factor in the market, particularly in the long-term sector. The benefits of this influence accrue to provincial and municipal borrowers who would otherwise have had to face a high rate structure inevitably resulting from the uncertainty and imminence of these huge maturities overhanging the market.

I have said that the Conversion operation was an overwhelming success. It has earned the outspoken admiration of the governments of other countries. This success was achieved with the full co-operation of the Bank of Canada. Before the conversion, only 17% of the Government of Canada's debt other than Savings Bonds was in maturities of over 10 years; after the conversion, fully 43% was in such maturities. Before the conversion, 39% of the debt other than Savings Bonds was in market issues with maturities of less than two years; after the conversion, 25% was in such issues. The average maturity of the public debt other than Savings Bonds was lengthened from 6⅙ years to 10½ years in Canada, and is now double the comparable average maturity in the United States.

While prices of government bonds have declined in the last two months, the benefits of the Conversion Loan operation continue. I should add a comment on the market price quotations on the new Conversion bonds.

Promises No Support

The government at no time said it would support the current market prices on the Conversion Loan. While the Bank of Canada, acting as the government's fiscal agent, normally operates in a manner to stabilize the "after-market" for a short period after each new loan, it is not the government's policy to "support the bond market" over longer periods. The government's obligation is to pay the fixed rate of interest on the Conversion Loan bonds and redeem them in full at maturity.

Far from having given any indication of supporting the market price of the Conversion Loan, the government expressly disclaimed any such undertaking in the House of Commons. It is the play of forces in the market which determines the day-to-day price of bonds. It happens that, largely as a result of the continued erosion of the United States bond market, there have been weakening effects on market offerings for government issues in Canada. There is no way of insulating the Canadian bond market from such influences, but, had it not been for the constructive effects of the refunding represented by the Conversion Loan and its overwhelming success, the Canadian market would undoubtedly have displayed much more weakness than is today evident.

The fact clearly emerges that the recent decline in the bond market was in no sense attributable to the Conversion Loan, but has occurred in spite of it.

With the exception of the period during the Conversion Loan campaign and immediately following it, the decline in government bond prices in Canada has paralleled, but has not been as extensive as the decline in the United States.

In the longest-term category United States bonds declined 12½ points from April to December while Canada's dropped 11½ points. In the mid-term field the decline in Canada was distinctly less than in the United States. Thus, United States 68s declined 10½ points in this period while Canada 68s declined less than 7½ points. The removal of the bulk of the Canada 3s of '63 and '66 from the market as a result of the conversion operation is the chief reason for this relevant difference in mid-term in bond price changes.

In Canada the longest victory loan (3% 1966) was not completely converted and its market price declined over the period in question from 97.50 in April to 94.50 in early July and to 92.13 at the end of December, a decline of about 5½ points. However, the typical holder of this victory bond converted into the new 4¼% 1972 or 4½% 1983 which on Dec. 31 traded at 95.63. His new bond is thus about a point higher than his old bond just before the conversion and is paying him 50% greater interest.

The American holder of the last United States victory loan (2½% 1972) watched the market price of his bond decline from 97.38 in April to 85.81 at the year-end, a total decline of more than 11½ points over the period, and at the end of that time he still possessed a bond paying 2½% interest.

It remains to be added that in the 11-month period, January to November, new issues of provincial government bonds in 1958 payable in Canadian dollars equalled in amount those of 1957

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Scurry-Rainbow Oil to Recapitalize

Proposed one-for-seven reverse split will reduce outstanding shares to 1,909,969 from present aggregate of 13,369,783. Stockholders to vote on program at February 7 annual meeting.

At the annual meeting to be held Feb. 7 in Calgary stockholders of Scurry-Rainbow Oil Limited will be asked to aprove a plan of recapitalization. For some time the management has felt that 13,369,783 outstanding shares represented an unwieldy capitalization and tended to classify the shares, pricewise, with highly speculative securities. Accordingly, to enhance the corporate stature, make the stock more acceptable for institutional investment, and as collateral, stockholders will be asked to approve a one-for-seven reverse split, thus decreasing outstanding stock to 1,909,969 shares.

The major portion of petroleum and natural gas production in Canada is derived from the Province of Manitoba, Saskatchewan, Alberta, and British Columbia and the company's properties in these areas encompass 11 million gross acres. These extensive holdings and the company itself, are the result of mergers over the past several years, of 23 individual companies. Assimilation of all these properties into a smooth functioning corporate organization has taken time. The degree of progress achieved in 1958 is reflected in the report for the fiscal year ending Sept. 30, 1958. According to the report, gross acres in which Scurry has an interest increased by one million acres over 1957. Eastimated recoverable oil reserves have increased to 14 million barrels over the 5,930,000 listed in the last report on recoverables, released in April, 1957.

In natural gas the company enjoys a strategic position, with two available major pipeline product outlets; Trans-Canada running East to Montreal; and Westcoast Transmission, West to Vancouver and the Pacific Northwest of the United States. In northeast British Columbia, gas is presently being delivered to Westcoast from 12 gas wells, in which Scurry has either working or royalty interest. In addition, Scurry has contracts signed with Trans-Canada covering some 18 billion cubic feet of gas reserves in the Gilby and Nevis fields of Alberta.

On the financial side, the report shows that the company increased its gross income 29% over 1957, to $2,176,343; but in particular its royalty income requiring no outlay or effort by the company, rose from $208,579 to $700,410. Net profit increased to $352,728, against $123,981 a year earlier. This sharp gain was achieved despite the poor conditions last year in the Canadian oil industry. Alberta and Saskatchewan, for example, where principal producing properties of the company are located, sharply curtailed production.

J. E. Schram Co. Formed

YONKERS, N. Y. — John Edward Schram & Co., Inc. has been formed with offices at 20 Wilbur Street to engage in a securities business. Officers are John Edward Schram, President; Joseph D. Ezechel, Jr., Vice-President; and Marjorie H. Schram, Secretary-Treasurer. Mr. Schram was formerly with Orvis Bros. & Co., Townsend, Graff & Co. and Sulzbacher, Granger & Co.

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1958, but it seems probable that the volume of capital expenditures by all levels of government will be maintained. There is, however, little reason to anticipate an early return of new capital investment as a whole to the pace of 1956.

A large cash deficit resulting from the fiscal policies of the Federal Government has been accompanied by a significant rise in the money supply. As production increases and our unemployed resources become fully utilized, however, it should become our objective to achieve some measure of over-all equilibrium in the economy.

CLIFFORD W. MICHEL

President, Dome Mines Limited

As the year 1958 began there were several indications that the Canadian Gold Mining industry might at last be heading into the kind of economic atmosphere it requires if it is to earn a fair profit from its production. Declining industrial activity in the United States and Canada suggested a stable, or even lower, general price level which bears directly on mine operating costs. Lower levels of capital investment by industry and reduced activity in international trade pointed toward a declining premium on the Canadian dollar over the United State dollar which results, internally in Canada, in a higher domestic price for gold. Thus, with lower or stable costs and a higher selling price, the outlook for the Canadian Gold Mining industry appeared to be favorable.

Clifford W. Michel

These conditions did persist for about the first third of the year. The internal price of gold in Canada rose as the premium on the dollar declined from a high of about 6% to a low of about 1% and operating profits improved. However, even with reduced industrial activity price and wage levels did not decline and as Governmental budgetary deficits increased the general business climate turned around and again had the inflationary aspects that marked it as recently as 1957.

These are the conditions that exist as 1959 opens, in which it would seem that the Canadian Gold Mining industry must again meet the challenge of rising operating costs and lower selling prices. Through 20 years of general cost inflation, the industry has found means of creating cost saving devices and methods and there is no reason to believe that this ingenuity has been lost. Further help has come from the Canadian Government which revised the assistance to the higher cost gold mines by a 25% increase in the aid granted under the Emergency Gold Mining Assistance Act. Moreover, by extending the period of this assistance through 1960 the Government has created conditions under which mines can make longer-range plans for the development of their deeper and outlying ore reserves.

Finally, while the United States Treasury continues its unalterable position concerning an unchanged price for gold, the year 1958 brought a decline of about 10% or over $2 billion in that countrys gold reserves. Despite denials on its part of any consideration for change in price, many observers see that in a continued decline in reserves and the beginnings of free convertibility of European currencies, conditions might develop where the price of gold could appreciate as the value of money continues its decline under the unbalanced budgets of the major countries.

A. H. MEADOWS

President, Fargo Oils Ltd.

When Canadian Shell and British American brought in the "staggering 1.5 billion cubic feet daily open flow potential" gasser in Southwestern Alberta, reported in the Sept. 15 (1958) issue of the *Oil and Gas Journal*, the industry was stunned. It was the sheer volume that astounded geologists and engineers. Added to this surprising capacity was the depth: 12,014-12,235 feet—a Canadian record.

That this discovery will stimulate exploratory and developmental activity in Western Alberta is a foregone conclusion. The well, drilled on a jointly-held 400,000-acre block, as the *Journal* pointed out "climaxes an exploration campaign in Western Alberta that, during the last three years has provided some sensational new discoveries. Prior to that time, the Southwestern plains area of Alberta was one vast virgin theater, largely inaccessible except during the cold winter freeze-up.

A. H. Meadows

"But since 1956 new major oil fields have been found, each of which rated headlines. . . . It is entirely possible that similar reefing conditions could carry on westward as far as the foothills themselves."

The immediate impact of this discovery suggests two implications: first, the discovery of larger gas reserves in Canada should increase rapidly with expanded exploratory activity; second, producers—both in Canada and the U. S.—may encounter diminished crude demand in spots. Why the latter? The expanded use of natural gas has shown a noticeable tendency to displace heating oils in many northern and western U. S. markets. Continued loss of crude markets to gas may indeed have a more pronounced effect on demand than the well-advertised import problem. Already gas is making inroads on markets once thought to be the exclusive province of heating oils.

Speaking from the standpoint of Fargo, we are aware of the problems *and* the opportunities. Specifically, during 1958 our company increased its working interest in a 400,000-acre block in the Blueberry area of Northeastern British Columbia to 33%. Seismic work indicates the existence of 27 sub-surface structures, seven of which have been successfully drilled and tested. Company engineers and geologists are optimistic over prospects on the 20 yet untested structures. Although reserve estimates cannot now be made with any degree of accuracy, our outlook is optimistic. There are 25 producing or producible wells here, some already delivering gas in moderate quantities to Westcoast Transmission Corp. Of particular interest to our management at this time is the apparent extent of the "probable" producing area. Step out wells have sometimes been brought in five miles from a discovery, confirming structures of indeterminate, but intriguing, potential.

All projections for growth in the Canadian oil and gas industry point to an impressive future. The population, gross national product, disposable income, industrial activity, in fact all aspects of growth, are likely to increase at a much more rapid rate than in the U. S. Such growth will undoubtedly be propelled in large part by the petroleum industry. National requirements—both in Canada and particularly in the U. S.—seem to suggest a greater increase in demand for gas than oil. Our own plans at Fargo are predicated on this assumption. We further believe that as new gas fields are discovered, pipeline facilities will be moved in promptly. The petro-chemical industry, not now a major factor in the Canadian economy should develop rapidly over the next few years. We have not, in spite of this, ignored the opportunities existing in the search for crude. Our joint venture with Canada-Cities Service in a 50,000-acre block near Innisfail (Alberta) looks very promising.

The future of the Canadian oil and gas industry looks bright. Not only will exploratory activity be stepped up, but so will production and dollar revenues to the successful companies operating there.

WILLIAM G. MILLER

President, Montreal Locomotive Works, Limited

The substantial investments in capital equipment by industry during recent years generally have resulted in industrial capacities sufficient to meet present demands. There are, and will be in 1959, exceptions where capacity will be added in particular growth industries or where other reasons peculiar to individual companies may call for increased output of various products. Otherwise it appears, as it did a year ago, that installation of capital equipment will be mainly to reduce costs or to meet changes in product requirements.

William G. Miller

Cost control and in particular wage cost control will continue to be as important as any problem faced by industry. If wages continue to rise faster than productivity of labor, costs will keep on rising and prices will follow. There is no indication of a change in this trend. It acts against business expansion and increases the cost of living. In the field of export of capital goods, the lack of availability in Canada of long-term financing competitive with that available in the United States, particularly the Export-Import Bank, will continue to hamper efforts by Canadian companies to obtain export orders for capital equipment.

R. S. MUNN

President, Burns & Co., Limited

The livestock industry has been one of the bright spots in a year of mild recession. It continues to be an important factor in the economy of Canada and in 1958 made a greater than normal contribution to the total income derived from agriculture. It was largely responsible for the increase in farm income for the year.

There is every indication that Canada's total commercial livestock and meat output for 1958 will be one of the largest for a peace-time year. While figures for the full year are not yet available, domestic consumption of meat will exceed that of the previous year with pork and lamb up 13% and 7%, respectively, and beef and veal down 5% and 12%.

R. S. Munn

Increasing population and greater per capita consumption continue to make an important impact upon total domestic disappearance. The export of live cattle, mostly of the feeder type, to the United States has been at a new record high level and it seems evident that this will result in a shortage of finished cattle on the Canadian market in 1959.

Already there have been limited imports of live cattle into Canada from the United States, and the prospects are that this movement will grow in the near future.

Hog marketings have increased and currently are running more than 30% greater than a year ago. Such an increase should continue well into 1959. Prices on most markets have dropped to the Government floor level, and at this time the Agricultural Stabilization Board owns over 8 million pounds of pork. This quantity represents just about the increase in total pork stocks over a year ago.

With uncertainty about the level of the floor price beyond March 31, the meat packing industry hesitates to store pork for its own account for future sale.

Disappearance of pork currently on the domestic market is encouraging and if maintained there could be a good balance between supply and demand over the crop year.

The prospect for 1959 appears to be a further over-all increase in the meat supply, less beef but a large increase in pork. Consumption will be determined largely by price. Currently beef prices are high and pork prices low. This situation will probably continue throughout most of 1959.

The export of meat overseas continues to be a mere trickle and the United States represents Canada's only export outlet of any consequence. Trade between the two countries increases and should continue to do so, but is still small compared to total output.

Nineteen fifty-nine should be another good year for the livestock produced in Canada.

F. WILLIAM NICKS

President, The Bank of Nova Scotia, Toronto, Ont.

The level of Canadian business, which was very well maintained in the face of the widespread downward influences of 1957 and 1958, should improve appreciably in 1959. Production will almost certainly be higher, sales and profits should increase in most lines, and there is also a good chance that prices (on the average) will hold steady during the course of the year.

F. William Nicks

At the same time, however, a number of important readjustments are still going on in some of the key sectors of the Canadian economy. And the general market outlook does not yet seem strong enough to promise any significantly fuller use of the country's growing manpower and productive resources. Production in many industries is expected to continue well below capacity and the rate of unemployment seems likely to remain disturbingly high.

The brightest feature in the outlook, undoubtedly, is the marked recovery which has occurred in recent months in the United States. This recovery has already brought a notable pickup in the sales of several Canadian exports and has also encouraged a more optimistic sentiment in Canadian business circles. Should the U.S. uptrend persist in good strength and spread out to influence overseas markets as well, the Canadian economy would be bound to benefit greatly.

There are still many grounds for caution, however. Most important, perhaps, is the obviously changed condition of world commodity markets. For the first time since the war, there is now an ample world supply of almost all of the major export products on which the Canadian economy depends. And an even larger capacity to produce such goods is available if needed. In these circumstances, consuming industries are under little pressure to build up stocks, and markets are almost certain to remain highly competitive. Such conditions are not conducive to a strong new expansion either in Canadian exports or in capital outlays.

In the export sphere, moreover, such important products as crude oil, lead and zinc continue under the shadow of U.S. import restrictions. And a few other items, which provided real support to the total flow of exports in 1958, are likely to fall off in 1959. These include, most notably, aircraft, grains and cattle. Meanwhile, in capital investment, the total level of spending will be held down by the ending of a number of very large projects and by the fact that house-building rose so sharply in 1958, reaching a level which will be difficult to sustain in the coming year.

All in all, the prospect seems to be for a moderate increase at best in exports, and for a moderate decline in total fixed capital expenditures. At the same time, consumer and government outlays are expected to continue upwards and there may be some building-up of business inventories.

Overhanging the whole economy, however, are the uncertainties which have developed in the financial sphere. In Canada as in the United States, the past year has seen the appearance of a large federal government deficit, a big increase in the money supply, a loss of investor confidence in government bonds and a rapid advance in prices of common stocks. All of these developments have inflationary implications. On the other hand, longer-term interest rates have already risen above their previous peak in the 1955-57 boom and there is still a good deal of slack in the economy. The outcome of these diverse influences is anything but clear.

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and were 60% larger than in 1956, and marketings of new issues of municipal bonds payable in Canadian dollars were 74% larger in 1958 than in 1957, and 32% larger than in 1956. Marketings of corporate bonds in 1958 declined somewhat as compared with 1957 and 1956.

Cites U. S. A. Treasury Secretary

Before I leave the subject of debt management and the bond market let me paraphrase in Canadian terms a passage from a recent speech by the Honorable Robert Anderson, United States Secretary of the Treasury:

"All too often these problems are regarded as something of concern only to the Treasury or involving only those engaged in security transactions. That, of course, is not true. The influence of the national debt and the way in which it is handled penetrates every corner of Canadian economic society. The volume of debt financing that is required, the distribution of the debt in length of maturity and ownership, affect the whole scheme of individual, corporate, municipal, and provincial financing, and bear a significant relationship to how we accomplish the economic goals of a free society.

"There is more involved here than consideration of equity and profit for the holders of securities. Debt management is at the heart of the whole problem of national thrift. It is a major part of the responsibility resting on a competitive society for maintaining monetary integrity, institutional liquidity, and the achievement of growth. Decisions bearing on the management of the debt touch the lives of every individual of our nation."

Inflation

The air has been filled of late with talk of inflation. It is said that the fear of inflation is disturbing confidence in Canada's financial outlook. If it is, the condition is certainly not confined to Canada. The United States is displaying all of the symptoms which are said to exist at present in Canada.

I do not deplore the current evidence of concern over inflation. On the contrary, I think it is a healthy sign that people are showing concern for the preservation of the purchasing power of the Canadian dollar. That degree of public concern will, I trust, assist governments and others in grappling with the problem. I am concerned, however, that the discussion of this subject should be realistic and balanced. The danger of inflation exists, as it has existed for the last 20 years. We will not, however, overcome it by exaggerating it beyond all recognition.

Indeed, just as a year ago gloomy and exaggerated talk about recession and unemployment actually enlarged the dimensions of these problems by disturbing confidence, so we can today actually bring on some of the feared effects of inflation by yielding to an unwarranted inflation psychology.

The current situation is certainly not one of overt inflation but of the fear of inflation.

Inflation has been defined as "too many dollars chasing too few goods." There is, however, certainly no scarcity of goods in Canada. The problem with respect to most products and commodities is that we have surpluses of them.

One would expect to find inflation reflected in the Consumer Price Index. The index in December, however, showed a slight reduction. Over the last year the index has risen only 2.5%. How modest is this rise may be seen when it is compared with rises of 6% in 1946, 15% in 1947, 7% in 1948, and 10% in 1951. Of the slight increase in 1958 little was in the prices of goods—food, fuel, or clothing. The greater part of it was in the cost of services, especially health care, personal care and recreation.

One would also expect to find inflation reflected in the Wholesale Price Index. However, the general Wholesale Price Index is the same as it was a year ago. It is also 16 points or 7% below the 1951 figure.

The condition with which inflation has currently been associated is an increase in money supply, that is, the total of currency in circulation and deposits in the chartered banks. In the 12-month period commenced Oct. 1, 1957, money supply in Canada, as so defined, increased by $1,422 million, or 12%. This increase in money supply was greater than the increase in government debt. The percentage increase in the money supply in Canada was twice as great as that in the United States. It must be admitted that this rate of monetary expansion did contribute to Canada's success in arresting the process of recession and to the stimulation of the Canadian economy in 1958.

With the Conversion Loan and the Canada Savings loan of 1958 now behind us, however, it would be undesirable to encourage or permit a substantial degree of monetary expansion in the near future. Thus we can look for a lessening of upward pressure from that source on price levels.

Money Supply Growth

Indeed, in the last four months of 1958 the total volume of money in Canada increased by less than 1%. In this same period holdings of government securities by the general public increased by over $1 billion. The Canada Savings Bond campaign in this period was the most successful in all our history. There was a net increase in the public holdings of Canada Savings Bonds in this period of $519 million. The public added $150 million to their holdings of Treasury Bills and $400 million to their holdings of marketable government bonds. On the other hand, holdings of government securities by the banking system declined by $450 million. Thus the earlier liquidation of government securities by the general public has in recent months been halted and indeed reversed. These facts should have a reassuring effect upon those who have been concerned over the expansion of money supply during the 12-month period ended last Sept. 30.

There is no evidence in these recent events of themselves to justify anxiety over inflation. I am aware, however, of concern over the long-term trend. Since 1946 the Canadian dollar, as measured by the Consumer Price Index, has lost 40 cents of its purchasing power. Nearly all of that loss occurred prior to 1952; relatively little of it occurred in the last two years. The present problem of inflation arises in its creeping form.

I think I have been as outspoken as anyone in warning the Canadian public of the dangers of inflation. It is a stealthy thief, reducing the value of savings, fixed incomes, insurance policies, bonds, pensions, mortgages. I hope the Canadian people will always be on their guard against inflation. It is well to remind ourselves, however, that there is little value in deploring inflation while at the same time seeking illusory, will-of-the-wisp, advantages it appears to offer.

Responsibility

It is also well for us to realize precisely where responsibility lies in this regard. It is temptingly easy for individuals to place the full blame and responsibility on the government or governments. The fact is that in a free economy every citizen has a responsibility to play his part in the maintenance of the stability and purchasing power of the Canadian currency. This solemn duty rests upon employers, employees and self-employed. I repeat the stern warning which I issued in my budget speech on June 17 last:

"Moreover, I confess my concern over costs of production and prices in Canada. Only by keeping our costs of production in line with those of our competitors can we hope to achieve expanding employment and progressive improvement in our standard of living.

"We are in danger of becoming a high-cost economy. Such a prospect is particularly perilous in the case of a country like Canada which must sell so much of its production in markets abroad. Moreover, Canadian producers are encountering increasing difficulty in retaining their domestic market in the face of keen competition from abroad. Many of them under these circumstances turn to the government for a solution of their cost problem.

"In a free society there is no simple formula by which the government can maintan stable prices and there is a limit to what governments can do to assist producers to hold down their costs of production. A wise government can, of course, help to promote an environment which is conducive to price stability and this government gives a high place to that duty; but to an important extent prices are the result of competition among the various economic groups which compose our nation, each striving for a greater share of the national product. I echo the warnings issued by the Prime Minister (Mr. Diefenbaker) to all sections of the Canadian people in appealing to all, whether employers, employees or self-employed, to have regard for the general interest in the returns they seek for their services and products. In a free society there is no omnipotent arbitrator who can set prices and wages at stable levels. One must depend upon the sense of responsibility of free men and women not to demand more than their fair share of the national

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GLENN E. NIELSON

President, Canadian Husky Oil Ltd

As the Canadian petroleum industry enters 1959, it can look with a great deal of satisfaction upon the important place it has earned in the economy of Canada. As recently as 1946, the only known crude oil reserve of any significance was the small one at Turner Valley, and Canadians had to depend almost entirely on foreign sources for their gasoline and other petroleum products. The Canadian dollar was in short supply in foreign markets and selling 15 to 18 cents below par in the United States. Today, productive capacity in Canada is sufficient to supply the crude oil requirements of the entire nation; and the Canadian dollar, thanks to the petroleum industry, in recent times has been from three to six cents above the value of the U. S. dollar.

Glenn E. Nielson

The unfortunate part of this splendid accomplishment is that the continuing growth of this young vital industry may be stopped in its tracks for lack of markets both for oil and natural gas. Last year, less than half of the maximum crude oil production was marketed. The tragedy of this situation is that markets for both would be available if the federal and provincial governments would cease playing political football with their export and import policies. It is discouraging that again we enter another year facing the same problems without definitive action by our governments.

Many have suggested that export of crude to the United States is the answer to our shortage of markets in the foreseeable future. There are two basic fallacies to this contention. First, United States producers are facing markets nearly as curtailed as our own. Second, even if the United States were to import all of its petroleum requirements, Canadian crude oil could not compete economically with other foreign crudes except in a few of the border areas.

In my opinion, it is high time we looked to our own markets to sustain the growth of the economy of Canada. Canadian markets should be reserved for Canadian crude production. It seems wrong that Canada, the world's third largest consumer of petroleum products, should look beyond its own borders for a market for its crude oil production while at the same time allowing more than half of its own market to be supplied from foreign sources.

The lack of markets for natural gas is an even more serious threat to the future of the Canadian oil industry. This presents a paradox that I have been unable to understand. With respect to oil, we are critical of the United States for not playing the big brother in purchasing our oil. At the same time, we are sitting here with tremendous reserves of natural gas, but the federal and provincial governments are unable or unwilling to decide on a realistic export policy.

Granting of permits to export gas would result in a greatly stepped-up program of exploration for natural gas. The reserves of gas that have been discovered to date in Western Canada are but small compared to the discoveries that would result of there were an incentive of ready markets. Action must be taken soon, or Canada may lose permanently the United States markets that are adjacent to our boundaries.

If present conditions continue, the outlook for the Canadian petroleum industry in 1959 is rather bleak. Without positive action on both of these problems, the very existence of many small companies will be threatened. All Canadian oil companies in 1959 will be forced by good business judgment to hold exploratory and developmental drilling programs to sharply curtailed levels until these is a more definite promise of markets. The active search for petroleum reserves requires tremendous expenditures and the products and services of many other industries in the nation, all of which are affected when the petroleum industry is curtailed. Any stimulation of the petroleum industry would have a beneficial effect on the general Canadian economy.

In refining and marketing, prospects are somewhat more optimistic, but still their future is tied pretty well to the general business outlook. An optimistic note is found in the promise of more all-weather highways. Plans already announced by various highway departments indicate that requirements in the Prairies for paving asphalts will be higher in 1959. Studies have shown that there is a definite relationship between good roads and the consumption of all petroleum products. Although increased consumption will be slow under even a stepped-up road-building program, still we must express appreciation to our governments for recognizing the importance of goods roads to the economic growth of our country.

WILLIAM H. PALM

President, Hinde and Dauch Paper Company

During the year just closed, the Canadian economy remained surprisingly firm, despite a number of adverse pressures. Not the least of these was the now recognized effect which any swing in United States business prosperity exerts on the Canadian situation and which was most pronounced at the outset of 1958 in a declining direction. The economies of the two countries are becoming more closely inter-related as time goes on, with the result that Canada's economy reacts more rapidly to the impact of such changes than was the case in years past. However, recovery from an initial weakening tendency was steady and the year closed on a reasonably strong tone.

The industry producing paperboard and products converted therefrom, serving almost every field of commerce because of the versatility of its end products, closely followed that same general pattern, concluding the year with a modest increase in total volume and a new record of annual tonnage produced. Such a position should have brought forward reasonably satisfactory results in profitability, however, the over-capacity which the industry now possesses, coupled with increases in wages and other costs which could not be recovered, were responsible for the downturn which has been developing.

The current year is opening with the economy as a whole behaving in a like fashion to that of a year ago—a less active note than was apparent at the close of the prior year prevails. Similar problems to those which faced us 12 months ago are again evident, such as increasing unemployment, difficulties of various kinds affecting the marketing of a number of our export commodities, and costs continuing to rise. In spite of these condtions, it is our opinion that there is sufficient built-in strength in the collective Canadian situation to combat these influences, as was the case last year. Most observers predict another new peak for the annual Gross National Product; savings are likely to reach new highs; total payrolls, hence disposable income, are expected to be up, and employment could approach new record levels in spite of the slackness being shown currently. All of these factors combined should develop into a high rate in the purchasing of consumer goods (an important element in the marketing of packaging), although a certain amount of pressure appears to be building up against consumer prices.

Turning again to our particular industry, we are forecasting in consequence of the foregoing, another modest increase in the tonnage which will be marketed this year. While technological development has gone far and will go much farther in enabling price levels to be held by counteracting the effect of rising costs, it is quite obvious that ground is being lost at the supply-demand rates being experienced at present and at those anticipated in the near term. Therefore, upward price adjustments are needed. Irrespective of the actual turn events may take, it will be imperative henceforth that all industry maintain close vigilance of world-wide competitive factors, since a number of low-cost producing areas exist which could become potential threats to future prosperity in this country. Leaders of industry are most conscious of the important part which wages play in our delicate industrial economic balance. Key people in the ranks of organized labor should do likewise quickly.

In conclusion, we look forward optimistically to a year with some improvement over 1958 but with keen competition from sources inside and outside the country. It will require a further several years before the existing capacity of the paperboard and paperboard products manufacturing industry nears the point of full utilization.

CHARLES ST. PIERRE

President and Chairman of the Board, Banque Canadienne Nationale, Montreal, Que.

Where do we stand at the beginning of this new year? Statistics for the last quarter of 1958 will probably show that the lowest point of the recession is behind us. Conditions seem to be on the way to recovery, although there remains some unfavorable factors and despite the fact that the improvement is more noticeable in segments stimulated by government aid.

Charles St. Pierre

Obviously, it would be unwise to bank on an immediate resumption of economic expansion at the pace set by the postwar boom. The boundless development awaiting Canada cannot pursue its course on a sound basis without being interrupted by periods of stabilization and adaptation. It seems that, today, our country has reached one of these stages in its march forward. A considerable number of building projects are completed or nearing completion; some industries have momentarily overextended their plants, and it is questionable whether housing construction can be sustained much longer at the present level.

But the large public or private works being carried into execution or planned will irradiate activity in many branches of production. Siderurgy showed a significant revival during the past few months. The decrease in private investments should be compensated, to a great extent, by the rise in public spending.

The evolution of the Canadian economy will depend also on the condition of our main foreign markets, as our export trade provides one fifth of the national income. In the United States, where the recession was much more severe than in Canada, the upturn is more rapid, so we may hopefully expect that our sales will soon regain lost ground. Cooperation between the two countries to the program of armaments should open us new outlets. Great Britain and the other countries of Western Europe have not been effected, as might have been feared, by the slowing down of activity in the United States and their situation as a whole is quite satisfactory. It remains to be seen, however, whether the Common Market will have a favorable effect on our exports to Europe.

A. ROSS POYNTZ

President, The Imperial Life Assurance Co. of Canada

The best insured nation in the world will maintain its position in 1959. New sales at an all-time peak should come close to $6 billion in total. Sales in the Ordinary field of life insurance will probably continue to account for about 75% of the total, although Group life sales should show more buoyancy than in 1958. Industrial life insurance should continue to account for about 2% of the market. The limiting factor in new sales may continue to be manpower in the sales force. It is a highly trained, competent sales force and not easily expanded, although it provides rewarding and lucative careers.

A. Ross Poyntz

Total life insurance in force in Canada will go through the $40 billion figure early in 1959. This is the figure, related to national income, that makes Canadians the best insured in the world.

Mortality should continue to give a satisfactory experience with moderately improving rates particularly at younger and middle ages. Even so, the vast coverage in effect will produce close to $200 million for Canadian beneficiaries, resulting from death claims. Nearly twice this amount will be paid as "living" benefits to the policyholders themselves.

More than 80 companies—Canadian, British, U. S. and European, operating in Canada—will continue to be big factors in the investment field. Canadian development will continue to draw strong support from life insurance company funds. Corporate bonds already financed to the extent of 40% of these funds should have the new issues well supported by life insurance investment. Overall there could be more emphasis on bond investment in 1959 than in recent years—and perhaps a slow-up in the rising investment in mortgages, though Canadian housing will continue to derive its main institutional support from the life companies.

Investment opportunities will enable the companies to continue to raise their interest revenue from invested assets—a factor of considerable benefit to policyholders.

In office procedures there will be more work simplification and more automation, which will mean upgrading of jobs and control of costs.

1959 should be another year of sound progress and buoyant growth for life insurance in Canada.

JOHN S. PROCTOR

President, Imperial Bank of Canada, Toronto, Canada

The upturn of Canada's economy of early 1958 was powerfully supported by further increases in consumer spending, largely brought about by rising personal income. The paradox of growing personal incomes in a recession needs explanation. Employment at that time showed no further decline, wage rates rose, and so labor income expanded by 2.7% over the first half of 1957. Meanwhile, the continued growth of the labor force from natural increase and immigration had so increased the numbers seeking work that unemployment insurance payments in the first half of 1958 rose by $150 million, or to 175% of their level in the first half of 1957. Of even greater importance in raising personal incomes were the increases in old age pensions, in payments to veterans, and in family allowances.

J. S. Proctor

The total of such payments in the first half of 1958 was $325 million higher than in the first half of 1957, an increase of 30%. This remarkable behavior of income in a recession made it possible for the consumer not only to raise the level of his purchases but to increase his saving at the same time. Should he decide to reduce his rate of saving to more normal levels, considerable further growth in consumer spending would still be possible, even at present income levels.

Other factors also contributed to the business upturn. The rise in house building has been of great importance in stimulating the economy in the first half of 1958. The maintenance of our total exports through increased sales of uranium, aircraft, grain and cattle, which offset declines in forest products and base metals, has eliminated one source of deflationary pressure common in recessions. The usual decline in imports as domestic investment spending on new machinery and equipment falls off, has also helped. More recently, the rate of inventory liquidation has been declining and commercial construction contracts have shown remarkable growth.

The forces retarding the recession and contributing to recovery have thus, in part, come into operation automatically and, in part, have resulted from current economic policy decisions. House building, particularly, has been stimulated by government policy. In recent years residential construction has had an important balancing influence on the economy, falling off in boom periods and being revived in recessions. The inconvenience that has resulted from these fluctuations may well be more than offset by increased overall stability. It is doubtful if our housing is so poor that we cannot afford some restraint in times of great pressure on our resources. On the other hand, it is not so adequate that we cannot afford to spend large amounts on it when our productive capacity is not fully employed.

Public outlays on goods and services, while subject to

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Review and Prospects For Canada's Future

income. As I have said on other occasions, increases in incomes can be justified by increased productivity and by increased productivity alone."

There are those who ascribe to the government powers which it does not possess, and which, if it did possess them, it ought not to exercise lest the loss of freedom should result. Some of the panaceas which I am asked to adopt would involve such a regimentation of the Canadian economy as would, I trust, be intolerable to the Canadian people in time of peace. In a free economy in time of peace, the government cannot compel the freezing of costs or prices.

I have reserved to this point my comments on the responsibility of the Government in its own proper field. Government policies undoubtedly can and do affect the economic forces which have either inflationary or anti-inflationary consequences. I suspect at times that the influence of Government policy on these forces is exaggerated in the minds of many people, but I have no wish to deny or evade the responsibility of Governments in this regard.

The policy of the Canadian Government is quite clear. It was stated by the Prime Minister and myself on July 14th when launching the Conversion Loan campaign. On that occasion he said:

"One of the primary advantages which will, I am sure, commend itself to all of you, is that it (the Conversion Loan) is in every sense anti-inflationary. It is, even more definitely, a sound money policy. . . . I want to emphasize again at this time that the preservation of a sound currency and the maintenance of stability in the value of the dollar are matters to which the Government attaches the greatest importance."

On the same occasion I stated:

"Through this Canada Conversion Loan the Government is reaffirming its determination to follow policies that will maintain the soundness of our currency and the purchasing power of your dollar."

States Government's Policy

This remains, let it be said, the policy of the Government.

I do not underrate the risks of inflation. I am keenly aware of them; and it is well that the public should be concerned about them. Our aim must be to achieve a sustainable rate of growth in terms of employment, development of resources and the maintenance of the purchasing power of the Canadian dollar. Inflation is not inevitable. It can be controlled if governments at all levels, and business men, and labour, and farmers and the ordinary man in the street all have the self-denying will to combat it.

Some of the policies which the present Government has followed have certainly been deliberately calculated to stimulate the economy with a view to enlarging employment opportunities. Unemployment still gives us deep concern, but we are now convinced that the proportions of the unemployment problem this winter will be smaller than last and that 1959 will witness added strength and activity in the Canadian economy. I am not predicting any sudden boom; indeed, I hope that recovery will rather proceed at a steady and sure pace. Such progress will enable the Government to direct its efforts more definitely toward curbing inflationary forces in the economy so far as the Government has power to do so.

The expenses of Government are high. The Canadian people continue to demand a high standard of services and social benefits. These must be paid for. I wish that fact were always remembered. After people demand and approve expenditures on their individual merits there is little use deploring them in their aggregate. In 1959, for example, we shall be facing the increased burden of a full twelve months' operation of the new national hospital insurance scheme. Other outlays, whether for services or benefits, advance proportionately with the increases in our population. Nevertheless, the Treasury Board in its current review of estimates is, I assure you, applying a firm hand to controllable expenditure.

I was, as you know, obliged to budget this year for a substantial deficit. I regretted the conditions which made it necessary, but it was under the circumstances the soundest of the limited choices open to the Government in June, 1958. I deplore the loose and irresponsible talk which is bandied about concerning the size of this anticipated deficit. I hear and read talk of "the billion-dollar deficit" and "the more than a billion deficit." Last summer I gave Parliament an estimate of $700,000,000 as the amount of the deficit. Now at the end of nine months of the present fiscal year I see no reason to depart materially from this estimate.

This is the open season for rumours and speculation as to what the next Budget may contain. I do not, however, recall a time when I have seen so much sheer speculation on this interesting subject. Let me dispose of all of these mischievous rumours by saying that at this early stage no budget plans have been formulated. No speculation has any right to attempt to shelter itself under the Department of Finance, for no statement has been issued from the Department bearing on our budget plans in any form. There has been no leak from the Department and any statement alleging a leak is entirely without foundation.

Conclusion

1958 was a year of abnormal unemployment and of soft spots in certain sectors of the Canadian economy. It will be remembered also as a year when recession was arrested and the underlying strength of the Canadian economy asserted itself in a gratifying recovery. Notwithstanding the setbacks, 1958 deserves to be remembered as a year marked by many important achievements.

1959 begins with many early advantages over 1958. The domestic improvement is matched by an improvement in conditions in the United States and abroad which will undoubtedly benefit Canada.

The prospects before this country are dazzlingly bright. There never was a time when Canadians had more reason for confidence in their country and her future. Canadians are not a mercurial people. At their best they are steady, stable and self-reliant. The Canadian economy has its problems, but it is sound and strong. Canada remains the best investment ing need be done—only to find that later dangers burst upon an unprepared public."

Cashiers Association Elects Officers

William R. Muller, of New York Hanseatic Corp., has been elected President of The Cashiers Association of Wall Street, Inc.

Mathew P. Deane, of L. F. Rothschild & Co., was elected First Vice-President of the association; Peter Krysko, of Allen & Co., Second Vice-President; Anthony Kahwaty, of P. F. Fox & Co. Inc., Treasurer, and Charles B. Webber, of The First Boston Corporation, Secretary.

Named Directors were: James G. Baldwin, Marine Midland Trust Co.; George Boggiano, R. S. Dickson & Co. Inc.; Frank A. Flaherty, A. C. Allyn & Co. Inc.; Henry Israel, F. P. Ristine & Co.; John J. Kelly, National Association of Securities Dealers Inc.; Robert A. King, Shearson, Hammill & Co.; Raymond R. McAuley, Halsey, Stuart & Co. Inc.; James A. McCorkell, F. Eberstadt & Co.; Fred Santi, Alkow & Co., Inc.; and Chester F. Ward, Cities Service Company.

Members of the Nominating Committee for 1960 are: Frederick G. Hoch, The Hanover Bank; G. Howard Ekstein, American Securities Corp.; Kenneth Gibbons, Glore, Forgan & Co.; Frank J. Kleinsmith, Bear, Stearns & Co.; and Ralph Jones, Blair & Co., Inc.

Samuel Goldsmith

Samuel Maitland Goldsmith, partner in Zuckerman, Smith & Co., New York City, passed away Jan. 25 at the age of 85.

European Currency Moves Viewed as Trade Flow Stimulant

Montreal bank's examination of European currency and other moves discerns indications that should make for significant improvement in the flow of international commerce.

Recent financial developments in Europe—notably the announcement at the end of 1958 by ten nations that their currencies had been made externally convertible—should make for significant improvements in the flow of international commerce, according to the Bank of Montreal's Business Review for January, issued Tuesday, Jan. 27.

The review said the recent announcement by the United Kingdom, France, West Germany, Italy, Belgium, the Netherlands, Luxembourg, Denmark, Norway and Sweden was "an important milestone on the road to easier international exchange of money, and thus to easier international exchange of goods."

Defining convertibility, the bank said that in its full sense the term means that "a country's currency can be freely exchanged for any other, by either residents or nonresidents of that country, and irrespective of whether it was obtained through current dealings in goods or services or acquired as a result of a transfer of capital." This was the situation that largely prevailed before the war.

With the outbreak of war, stringent exchange regulations were instituted by almost all combatant nations, the review recalled. Since the war, these controls have been gradually relaxed in varying degrees, but only Canadian and U. S. dollars and Swiss francs were fully convertible prior to Jan. 12, when the West German mark became the fourth fully convertible national currency.

External convertibility now permitted by the other nine European nations is still limited in that it applies only to currency acquired by non-residents, and even then does not extend to capital transactions, the bank pointed out.

In contrast, dollar area nations have all along been able to convert any sterling earned into dollars and thus into gold or any other currency, although their ability to sell in the sterling area was, and still is, limited by tariffs and quantitative import restrictions.

Summarizing the position as it now stands, the bank said that former "hard currency" countries like Canada "need no longer be singled out as objects of the discrimination inherent in trade restrictions that still exist, and it is to be hoped that this discrimination will soon disappear. Thus, the recent financial developments among the European nations should pave the way towards progressive removal of trade barriers and to a widening of the channels of international trade."

New York Stock Exchange Weekly Firm Changes

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

Mrs. Bernice M. Leavitt will cease to be a limited partner and will become a general partner in Leavitt, Spooner & Company Feb. 5.

Application of Sutro Bros. & Co. for the admission of Morton Globus to partnership has been withdrawn.

Application of J. R. Williston & Beane for the admission of James Cooper to partnership has been withdrawn.

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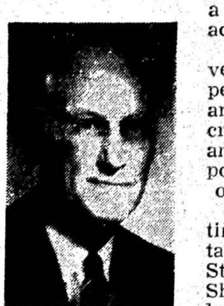
limited flexibility in timing, may also be varied to counteract both inflation and recession. This is one of the lessons of the past 20 years and it would be most unfortunate if political expediency should result in the abandonment of counter cyclical policies and the anti-cyclical budgeting that should accompany them.

L. B. RAMSEY

President, Belding-Corticelli Limited

In forecasting prospects for business for 1959 one is no doubt influenced by conditions existing at the time of writing, and consequently I am considerably more optimistic than at this time last year for business in our field, due to a much better late Fall demand. At least the first quarter looks considerably better.



L. B. Ramsey

The Departments of our business which have shown the best results during 1958—Industrial Nylon Threads, Elastics, Braids and Ribbons—would appear to be the ones which will continue to lead the way (and I believe at an accelerated pace) in 1959.

Ladies Nylon Hosiery, despite some pick-up in Nov. and Dec., remains the one Department of our business which cannot be viewed with much optimism for 1959. We are still plagued by over-capacity in the Full-Fashioned Branch of the Industry which condition has existed for over seven years and, although there is still under-capacity for production of Seamless Hosiery in this country, large quantities are being imported at low prices. The strong demand for Leotards this Fall has given our Full-Fashioned Hosiery Mill some much needed work, particularly on coarser gauge equipment, and we are very hopeful this demand will continue.

Our Children and Ladies Sweater Division did not produce the results we hoped for, competition both from domestic and import sources being very severe. However, we have purchased new equipment and with demand (particularly of Ban-lon type) being very strong, we are hopeful that this Department will produce profits in the coming year.

Hopeful indications for next year are—larger population, larger per capita savings, low inventories, and I would say a general feeling that the recession, which had everyone worried at this time last year, is about over.

Conditions that would seem to preclude any over-optimism are—large scale unemployment, continued wage demands far beyond equivalent productive increases, higher freight rates, international unrest and the continued cold war, expectation of higher taxes, continued influx of imports from all over the world to a point in the Textile Industry where we only supply 50% of our Canadian market.

We are hopeful that our Tariff Board will made recommendations which will be implemented by our Government that will result in our Industry regaining at least some reasonable measure of the 25% of our market lost to imports since immediately before the last war.

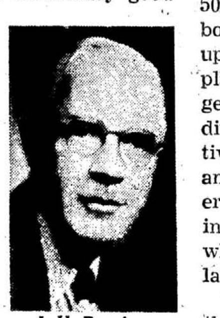
In surveying the above summation of good and bad influences which will have an impact on our future, it would appear that the bad outnumber the good; but in spite of that I feel that, barring general war or other international upheavals, business in our field in Canada should show a moderate improvement in 1959.

With the wonderful natural resources with which we are blest in this country and with our present small population the long term prospects should be as good as any in the world.

J. H. RANAHAN

President, Industrial Acceptance Corporation Limited

The trend of volume in the instalment sales finance industry must depend, of course, on the volume of sales of the goods usually financed. First in this category are motor vehicles. Indications point to a reasonably good market in 1959, perhaps some modest increase over 1958. The reception given to the new models has been excellent. The amount outstanding owing to instalment sales finance companies on motor vehicles, that is, passenger cars and commercial units, is down $37,000,000 from Sept. 1957 to Sept. 1958. The recent trend is that repayments are exceeding new obligations so a greater decrease will take place before the spring selling season opens up. Therefore, it would be anticipated that the lower outstanding instalment obligations, together with continuing high personal incomes and savings, will give depth to the present quite satisfactory market for the new models.



J. H. Ranahan

It seems possible that the Federal Government will implement a further programme making available some $350,000,000 for home building. If so, this would strongly benefit other industries which directly affect instalment sales financing, namely those producing all types of domestic appliances and other articles which go in or on the home.

The industrial and commercial equipment financing covers a wide range of machinery and equipment and, therefore, can only be covered in a broad general sense. However, it would seem that the sale of industrial machinery and equipment that is purchased on an amortized payment basis will at least maintain its volume with last year, and I think it would be reasonable to expect some increase.

Over all, therefore, the total volume of instalment plan purchases in 1959 will quite likely show some modest increase over 1958.

LOUIS REITMAN

President, Reitman's (Canada) Limited

In Canada the Chain Store field of Ladies' Specialty Shops, selling ready-to-wear, sportswear, accessories and other items of ladies' apparel, have just experienced record sales in Christmas business. It is felt that this is a good indication for better business activity for 1959.

Louis Reitman

The outlook for the new year is very promising and, of course, is dependent upon many factors. First and foremost is the continuing increases in the growth of population and with increased purchasing power, should produce higher levels of retail sales.

Downtown locations will still continue to be a dominant factor in retailing. Department Stores, Variety Stores, as well as most Specialty Shops have modernized and enlarged their facilities in order to keep the customer in town, and the fact that there has been a great increase in office building construction should result in maintaining their sales and even show a slight increase. However, we must not overlook the largest potential in increasing volume by the opening of branches of main stores in the suburbs.

The spectacular growth in suburban living, with a great exodus of middle-income residents to the suburban areas, and with reduced hours of work, have been a great impetus to casual living. Retailing has met this suburban development by the greatest wave of new store construction in history. This new type of "Shopping Centre," with ample parking facilities and night shopping has allowed the whole family to shop together at their leisure. In most cases the top name stores from downtown opened branches in these centres, bringing with them the greatest variety of merchandise at competitive prices. It is no longer necessary for the consumer to spend her time in travelling to the stores downtown. Suburban living has created many new styles of dress and this informality in living has also been responsible for very large increases in the sale of various types of sportswear and accessories.

Another factor and perhaps a good reason to anticipate higher volume for 1959 is the anticipation that inflation will tend to increase dollar value and that the fear of inflation will add to unit sales. Our experience so far has indicated that in the soft goods field, we do not anticipate too great a rise in prices. Competition will continue to be very keen and stores that will continue to give the consumer the best value possible at popular prices should be in an excellent position to do an increased volume for the coming year.

HON. DUFF ROBLIN

Premier of Manitoba

The future for Manitoba has never held more promise for progress and prosperity. It's a future that will be based on a stepped-up industrialization of the province, on development of the vast mineral resources in the north and on the solid agricultural industry already in existence.

Industry has already got a good start in the province. The estimated value of manufacturing production for 1959 was $666,600,000 while the construction industry production was estimated at $345,346,000 in the same year.

There are more than 1,500 industrial firms in the province and the number has increased regularly at about 50 a year. In the coming years, however, a substantial boost is expected in the number of new firms starting up because of the government's industrial development plan which will include a loan fund to help industries get under way. The province's economic base is very diversified, covering almost all phases of industrial activity. Increased emphasis will be put on diversification and decentralization of industry. To this end the government is promoting the establishment of manufacturing and processing plants in rural areas of the province, where raw materials will be close at hand and where a labor force will be readily available for small firms.

Where this plan has been followed in some rural areas the new industry has bolstered the agricultural community.

The most dramatic developments are taking place in the north. Under the Precambrian shield is a vast treasure of mineral resources. These resources are being developed at an intensified rate by private companies in cooperation with the government.

The International Nickel Company of Canada project—a $175 million townsite and mine—is slated for production in 1960 when 60 million pounds of nickel will be produced. The production will increase to an annual amount of 75 million pounds. This will give Manitoba the second largest nickel mine in the world.

But in addition to this nickel project, two other orebodies are being developed to increase the province's copper and zinc production. In 1958 the value of mineral production reached an estimated $56,100,000, despite the lower prices offered for base metals.

The government's part in this northern development program is a $15 million road building scheme plus a huge electric power project. One power site will start generating hydro-electric power for the opening of the Inco mine. But because of long-range planning there will be extra power available for other developments that will want to establish in the north.

The rich forests of northern Manitoba open the door for another type of industry in the near future.

The government is also tackling the difficult freight rates question because future development depends to a large extent on the ability of firms to move both raw materials and finished products. In this same connection the government has planned and started construction of an improved system of highways. Emphasis will be put on high quality roads to stand up under the strain of heavy truck traffic.

These are the ingredients of a successful industrial future.

RHYS M. SALE

President, Ford Motor Company of Canada, Limited

The outlook for Canadian business generally, and for the automobile industry in particular, is better than it was at the beginning of 1958. I foresee a continuing, gradual improvement, with perhaps some acceleration after we get through the winter months, but do not anticipate a swift return to the relatively prosperous levels of 1956 and the first half of 1957.

R. M. Sale

There has been a strengthening of demand for automobiles of North American types since the introduction of 1959 models, and our company's sales in Oct. and Nov. were above those for the comparable months of 1957. The severe winter conditions that set in in most parts of Canada during Dec. make it difficult to appraise the strength of the automobile market, and the real test may not come until the spring selling season opens. We feel, however, the trend to date warrants reasonable confidence that 1959 will be a relatively good year.

It is regrettable that unemployment continues to be a major problem. I am also concerned with the deeply embedded inflationary tendencies in this country. Notwithstanding these factors, I feel Canada is well on the road to recovery and will shake loose most of the shackles of recession in the coming year.

A. G. SAMPSON

President, Chateau-Gai Wines Limited

Canadian wine sales should continue to increase during 1959 as they have during the past few years.

We at Chateau-Gai have completed our best year ever, and look forward to an even better years in 1959. We believe that this trend is reflected throughout the entire Canadian wine industry.

A. G. Sampson

The reasons for this optimistic forecast are as follows:

(a) A continued improvement in general economy of the country.

(b) The nation's population increase, which includes one million new Canadians. A large percentage of these people come from wine-producing and wine-drinking countries of the world. These new Canadians, along with our native born, are learning that good Canadian wines are easily superior to much of the wine that Europe drinks. After all, the world's fine wines constitute less than 5 or 6% of the total world consumption.

(c) Specialization and modern methods in Canada are helping to maintain the quality and standards of the product. These factors, along with selected vines, are producing wines which meet the approval of the most discriminating wine drinkers. We are now growing, commercially, in this province, grapes which were experimental but a few years ago.

(d) Research, which is not only confined to producing better grapes, but which is also being undertaken on a greater scale than ever before, in order to determine the wine drinking and wine buying habits of Canadians. I believe that both types of research are required, and that the results must then be carefully co-ordinated if the wine industry is to compete favorably with the brewers and distillers of the country.

Although industry figures for 1958 have not yet been compiled, total production figures of Canadian wineries, and inventory value, with the Canadian breakdown (Ontario produces 9/10 of all Canadian wine) for 1956 and 1957 are as follows:

	Canada	Ontario
1956—Imperial gallons	5,473,876	4,945,429
Inventory value	$3,295,939	$2,880,176
1957—Imperial gallons	5,403,508	4,746,998
Inventory value	$3,589,108	$3,151,865

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As We See It

ticularly critical role to play, in view of the great power lodged in their hands. . . . The terms of agreements reached between labor and management in wage and related matters will have a critical bearing on our success in attaining a high level of economic growth with stable prices." He is on strong ground when he warns labor leaders that "their economic actions must reflect awareness that the only road to greater material well-being for the nation lies in the fullest realization of our productivity potential, and that stability of prices is an essential condition of sustainable economic growth." Unfortunately, he loses touch with realism when he contents himself with generalizations about "self-discipline and restraint" being "essential if reasonable stability of prices is to be reached within the framework of the free competitive institutions on which we rely heavily for the improvement of our material welfare." His words are solemn, but probably quite ineffective when he continues by warning these leaders that "if the desired results cannot be achieved under our arrangements for determining wages and prices, the alternatives are either inflation, which would damage our economy and work hardships on millions of Americans, or controls, which are alien to our traditional way of life and which would be an obstacle to the nation's economic growth and improvement."

Sheltered Groups

The trouble is, of course, that the unions and their leaders are one of the groups which have been and are still sheltered from the competition which the President himself says is the keystone of our economic arch, and the disheartening part of it is that neither the President, nor any other figure influential in our nation's affairs shows any interest whatever in the obvious remedy—that of removing the shelter behind which these organized groups of Americans can and do constantly defy the basic rules which have enabled us to become the economic envy of the world. Even more serious is the fact that so long have politicians truckled to the unions and their bosses, so far has legislation gone in giving them *carte blanche* to act as the rest of us dare not act, and so thoroughly did the New Deal seduce the thinking of the rank and file, that the task of remedying the situation is a Herculean one.

But there are other points at which thoroughly sound generalities of this report are either not understood or are misunderstood by the President—though we are sure not by the authors of the document. At one point the President tells Congress that "the chief way for government to discharge its responsibility in helping to achieve economic growth with price stability is through the prudent conduct of its own financial affairs." Excellent! The President then proceeds to say that "the budget submitted to the Congress for the fiscal year, 1960, which balances expenditures with receipts at a level of $77 billion, seeks to fulfill this responsibility." But does it really fulfill this responsibility? Given the political situation as it now stands — due doubtless in part at least to unwillingness of the President and his immediate supporters to preach and practice fiscal prudence in full measure—this budget total that the President now brings forward may be all that can be expected, and possibly more than is likely to be achieved.

Surface Hardly Scratched

But the fact is that it hardly scratches the surface. Since this matter of fiscal balance aroused so little real interest in years past, and since as a result so many commitments have been made that are now difficult to repeal, the amount of real reduction in outlays this year is unfortunately limited. This fact, in itself should serve as a reminder that this Congress this year (with or without the cooperation of the President) becomes in no small measure responsible for a sound and wholesome budget situation next year and the next several years. But what about this year's $77 billion budget? As to this we should like to call as an expert witness, Aubrey G. Lanston, who is a recognized authority on national fiscal affairs:

"During the fiscal year 1952 spending for agriculture was about $1 billion," says Mr. Lanston. "By fiscal 1958 such spending had increased to $4.6 billion and for fiscal 1959 it is estimated at $6.6 billion. It is said that for fiscal 1960 we will spend $5.8 billion. But who can tell whether — as things stand — we will spend only $5.8 billion or $7 billion to $8 billion for the support of agricultural prices?

"If the amount spent by the Federal Government for agriculture during fiscal 1959 were to be no larger a percentage of total Federal spending than it was for fiscal 1952 — the 1959 figure for agriculture would be $1.2 billion instead of $6.6 billion. Total Federal spending for fiscal 1959 then would be $75.5 billion instead of the contemplated $80.9 billion, and the contemplated deficit of $13 billion would be hardly more than half of that.

"In regard to fiscal 1960, if the government were to spend no larger percentage on agriculture than it spent in fiscal 1952, the amount to be budgeted for agriculture would be less than $1.2 billion. We would be discussing a contemplated Federal expenditure of $71.5 billion—not $77 billion.

"Further, if such 'economy' were to be practiced at the 'expense' of farmers, the chances are that additional 'economies' might be practiced elsewhere (on others) and a $70 billion proposed expenditure for fiscal 1960 might appear more reasonable than the proposed $77 billion does now.

"In other words, by tackling one major item of expenditures—one that is acknowledged to be a national scandal — the entire shape of the budget, the outlook for tax revision, for tax reduction, for the future value of the dollar, for the government securities market and the cost of interest on the public debt—would be changed."

The President is nothing if not moderate in his planning to prevent inflation.

Kuhn, Loeb Group Offers Inland Steel 4½% Bonds at Par

Public offering of $50,000,000 Inland Steel Co., first mortgage 4½% bonds, series L, due Feb. 1, 1989 was made yesterday, Jan. 28, by a group of investment banking firms headed by Kuhn, Loeb & Co. The bonds are priced at 100% and accrued interest.

The bonds are not redeemable prior to Feb. 1, 1969 except for the sinking fund. Annual sinking fund payments of $1,500,000 commencing in 1962 will retire 81% of the issue prior to maturity; the company may at its option increase any annual sinking fund payment by an amount not exceeding the required payment for the year. For the sinking fund the bonds will be redeemable at par; otherwise they may be redeemed at the option of the company on and after Feb. 1, 1969 at prices ranging from 103½% to par two years prior to maturity, plus accrued interest in each case.

Net proceeds from the sale of the bonds will be added to the general funds of Inland Steel, primarily for the purpose of restoring and increasing working capital. According to the company, an increase in working capital is desirable in view of the expansion of its steel capacity and of increased sales volume. Inland Steel contemplates additional capital expenditures of approximately $80,000,000 during 1959.

Inland Steel is the seventh largest steel producer in the United States. As of Jan. 1, 1959, it had a rated ingot capacity of 6,500,000 tons or 4.4% of the industry's capacity compared with 4,500,000 tons or 3.8% of industry capacity on Jan. 1, 1953.

Now With B. C. Ziegler

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—George J. Gawronski is now associated with B. C. Ziegler and Company, First Wisconsin National Bank Building. He was formerly with Thill Securities Corporation.

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The production decrease in 1957 was due to a reduction in the tonnage harvested.

Total selling value of all factory shipments for the past two years was $13,315,534 in 1956 and $15,190,809 in 1957.

Generally speaking, sales of wine in Canada are carefully controlled, which means that purchase of the product, say in Ontario for example, is through Ontario Liquor Control Board stores and also through company-owned outlets, the number being regulated by the Liquor Control Board. In Ontario, with a population of approximately six million, Chateau-Gai Wines, for example are allowed but seven company-owned stores. This makes it difficult for vast numbers of potential buyers to procure a product which they might serve much more frequently at home could they purchase it more readily.

However, with more and more Canadians serving our homegrown product, both formally and also using it in their cooking, we expect the increase in sales to continue during 1959. This should result in the entire industry enjoying its best year ever."

E. G. SILVERWOOD

President, Silverwood Dairies, Limited

The problem of huge stocks of certain dairy products for which there is no market in sight at this time is the cloud overhanging the dairy industry in Canada. The Federal Government is committed to a policy of price supports in the interests of dairy farmers, which results in keeping domestic sale prices at high levels. There is of course no relationship between supply and demand under these circumstances and the high prices tend to discourage consumption.


E. Gordon Silverwood

In the case of butter the differential between it and margarine is slowly increasing; consumption of butter is declining and production in the first eight months of this year is 27 million lb. greater than last year. It is conservatively estimated that stocks will exceed domestic requirements by 60 million lb. by May 1 next. Government authorities at high level have advised the industry that we are unable to give away our tremendous stocks of government-owned milk powder, which are expected to be approximately 100 million lb. by next spring. It is evident that support prices have been sufficiently high to induce an increased production of 63 million lb. of skim powder in the first nine months of this year in spite of the fact that there is no market for this increase.

It would appear that present price support policies will, of necessity, have to be modified.

We believe that the present trend toward monopolistic marketing of agricultural products will inevitably result in higher prices to consumers. The best possible safeguard in the interests of the consumers and the best spur to efficiency in business is still the operation of free competition.

There has been no increase in fluid milk prices in our markets in 1958. It is expected that the operation of the formula under the Milk Industry Act in Ontario, which determines the price at the farm for milk for fluid purposes, will result in a further 19c per cwt jump sometime during the coming year. When this happens it will inevitably result in a further increase of 1c per quart to the consumer. The narrowing margin permitted the distributors could not absorb this increase of one-half cent per quart and other costs which are continuing their familiar upward trend.

Our company anticipates about the same level of employment in 1959 as during the preceding year. We expect record ice cream sales in the present fiscal year; the increase in fluid milk sales has been somewhat disappointing. We hope and expect the coming year to provide record unit sales of all products to help offset the constantly rising levels of wage and other costs.

HON. R. L. STANFIELD

Premier of Nova Scotia

The underlying stability of the Nova Scotia economy is evident in the way that this province has weathered the recent economic storms that are now subsiding. Year-end figures are not yet available, but at midyear electric power consumption was 4% over the same period of 1957 and retail trade was up 4.5%. Farm cash income and landed values of fish also showed increases. Optimism about the year to come is based on the steady upward trend, since World War II, of this province's growth indicators. For example, the 1957 selling value of shipments by manufacturers totaled $427 million, an increase of 11.2% over 1956.


R. L. Stanfield

Despite the closing of the Springhill mine following the disaster there, coal production has temporarily outrun consumption. However, the man-hour output continues to rise. The competitive position of coal in the production of thermal electric power has been strengthened by recent Federal subventions which will also reduce power costs for some industries.

Following a record year, highway construction will continue at a high rate, with good progress towards the completion of the Trans-Canada Highway and its $6,000,000 Great Bras D'Or Causeway link. Other construction is also at a high level.

There are many evidences of faith in Nova Scotia's economic future. A new farmer-supported abattoir and a stepped-up community pasture program will attack the province's livestock deficit. In the year just passed, the provincial crown company, Industrial Estates Ltd., undertook the building of four new factories. Plans for a large new pulp mill continue to move forward. The 1959 capital and replacement budget of the provincial power commission is more than twice that of last year, making possible a number of important new projects, including the start of transmission grid connections with New Brunswick.

Nova Scotia continues to benefit from its pivotal position in the Atlantic Provinces, whose population now exceeds 1,800,000 and where purchasing power is steadily advancing.

DR. JOHN F. THOMPSON

Chairman of the Board,
The International Nickel Company of Canada, Limited

The year 1958 was marked by dramatic changes in the nickel industry, highlighted by abundant supplies of nickel throughout the free world for both civilian and military purposes as well as by vigorous competition for new markets. The free world attained a new high in annual nickel production capacity in 1958, estimated at about 525,000,000 pounds—almost double the capacity existing prior to the Korean conflict.


Dr. J. F. Thompson

Total nickel consumption in the free world during 1958 is expected to be between 325,000,000 and 335,000,000 pounds, compared with about 415,000,000 pounds in the previous year. The principal cause of the decrease was the business recession in the United States and Canada which had a particularly strong effect upon the production of durable goods. Because this coincided with a period of heavy inventory liquidation by consumers, nickel deliveries in all forms were appreciably lower than consumption. In the United Kingdom and on the Continent there was only a slight decrease in consumption.

Canadian production during 1958 declined sharply, largely as a result of a strike which began in September at International Nickel's mines and plants in Ontario. Prior to this, due to reduced demand, the company had announced three curtailments in production which ultimately lowered its output to an annual rate of approximately 200,000,000 pounds, or about two-thirds of ca-

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Parker Corp. Plans Seven Sales Seminars

Investment dealers in seven major centers will participate in a Sales Seminar conducted by members of The Parker Corporation, managers and distributors, Incorporated Investors and Incorporated Income Fund, during the month of February. The Seminar will run for a full day in each city and will be largely devoted to selling methods and techniques. J. Denny May, Boston, Laurence W. Morgan, Strabo V. Claggett, Jr., Chicago, and William H. Morris, Detroit, will be the Panel Speakers from Parker Corporation. In addition the following guest speakers will be heard:

February 3—Indianapolis: Robert Seeber, First of Michigan Corporation, Detroit, Mich., and Willis Martin, Alm, Kane, Rogers & Co., Chicago, Ill.

February 5—Detroit: Hugh A. Johnson, Hugh Johnson & Co., Buffalo, N. Y.

February 10—Chicago: Hugh A. Johnson, Hugh Johnson & Co., Buffalo, N. Y.

February 12—St. Louis: John O. Wheeler, H. O. Peet & Co., Kansas City, Mo.

February 14—Kansas City: Robert F. Delaney, Boettcher & Company, Colorado Springs, Colo.

February 17—Milwaukee: Walter E. Auch, Bache & Co., Detroit, Mich., and Burton J. Vincent, Burton J. Vincent & Co., Chicago, Ill.

February 19—Minneapolis and St. Paul: Walter E. Auch, Bache & Co., Detroit, Mich.

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Capital Inflow, Inflation and Monetary Policy in Canada

the one hand various factors make for close ties—geographical proximity, mutual security, and the fact that Canada is now the principal supplier and the largest customer of the United States. On the other hand the two countries are quite disproportionate in size and wealth, with the Canadian standard of living well below the American. Tariffs tend to stimulate an east-west rather than a north-south movement of trade. Still, close intermeshing exists and hence there are bound to be political and economic problems involved in the flow of U. S. savings across the border.

The size of the capital inflow naturally brings it considerable prominence. Using data which became available after the Gordon Report was completed, we find that long-term foreign investments in our country at the end of 1957 came to $17 billion, of which $13 billion came from the U. S. A. Unfortunately the available statistics do not permit us to state this as a percentage of our total capital of all kinds, but some idea of how significant the percentage must be can be gained from the fact that in the same year U. S. direct investments alone accounted for more than 35% of total Canadian corporation profits after taxes.

Sense of Insecurity

At the root of the Canadian concern over foreign investment is undoubtedly a sense of insecurity vis-a-vis our much larger and more powerful neighbor to the south — the fear that continuing integration may lead to economic domination and eventually to the loss of political independence. In the words of the Report, the present situation "... confers upon non-residents a large measure of economic control over some of our more important industries and industrial activities." On past occasions American parent companies have obliged their Canadian subsidiaries to stay out of foreign markets. Then again there is the point that the Canadian operation can be used as a battleground for the settlement of U. S. wage disputes, with negotiations being handled entirely between negotiators from the parent firm and from the international headquarters of the union.

"No other nation as highly industrialized as Canada has such a large proportion of industry controlled by non-resident concerns," says the Gordon Report. As elsewhere, there is a tendency in many Canadian industries for a few large companies to predominate. Should one or more of such companies be owned or controlled in the United States, then that entire Canadian industry may well be dominated from abroad. Several of our most important growth industries are in this category, and the Gordon Report lists as examples oil and gas, sections of the mining and smelting industry, the chemical industry, and at least three large secondary manufacturing industries—automobiles, electrical appliances and supplies, and rubber products.

Benefits Foreign Hands

The form or nature of United States investment presents some problems. Direct investment in the common stock of subsidiaries is now the popular means of investment on the part of American parent firms. In 1955, for example, equity holdings constituted over two-thirds of total foreign holdings, with Americans owning 84% of these equities. Investment in common stock tends to have a "snowballing" effect not found in bonds. Retention and reinvestment of earnings leads to a rather rapid increase in the original holding. This growth in value results primarily from the growth of the Canadian economy generally, yet the benefits remain in foreign hands. Further, repatriation of equities may well never come to pass. Historically, an underdeveloped country has been able in time to pay off the bonds held by non-residents. The fact that in the postwar period investment has usually been through the medium of common stocks means that time alone will not lessen the degree of ownership and control conferred by these equities.

I would not wish to leave the thought that Canadians are unappreciative of the confidence in their country which is displayed by the large inflow of capital nor unaware of the benefits it has brought. It is assumed, of course, it would not have come in unless someone felt the opportunities and climate were favorable, but the importance of keeping them that way is not overlooked.

I believe, however, it is not inappropriate that Canadians should have the opportunity to express themselves regarding the form of the investment and its behaviour within their borders. The Gordon Commission Report makes certain suggestions. These are:

The emloyment of more Canadians in senior positions and the purchase of supplies and equipment locally.

Separate disclosure, including financial statements, concerning Canadian operations.

Independently-minded Canadians as directors, and the sale of 20-25% of outstanding equity stock to Canadians.

In many instances the merit of these proposals has been recognized and steps taken to implement them. Notwithstanding anything that might have been said I believe I can assure you there is no real anti-American feeling in our country.

Turning now to general economic developments in Canada, this is recognized as a time of the year when businessmen are literally snowed under with reviews of the economic events of the recent past and forecasts of things to come. I have no desire to add another to the pile. Rather it seems appropriate for me to point out a few of the problems which seem in prospect for 1959 for the Canadian economy. However, by way of background I would like to refer briefly to the very great economic expansion which has characterized the postwar period in my country, and as well to the recent recession from which we are still recovering.

Postwar Expansion

Canada, like other industrial countries, finished World War II with a greatly expanded production potential and a general optimism among its citizens as to the long-term prospects. Many observers expected that private expenditures and export markets would not be sufficient to offset the drastic decline in government spending at the close of hostilities and that a severe depression would be experienced in the short run. Fortunately economic events proved the pessimists wrong and we have seen an era of expansion beyond anything experienced since the turn of the 20th century when our western frontier was opening up.

Some idea of the kind of development which has taken place in the decade 1947 to 1957 can be gained from comparison of Canada with the United States and with Great Britain. The Gross National Product, usual measure of the total output of goods and services, would be one criterion. In real terms, after the removal of price influences, Canadian GNP rose over 52% as compared with 45% in the United States and 36% in Great Britain. A similar situation exists with regard to industrial production, the Canadian index increasing by 51%, the U.K. index by 50% and the U.S. index by 43%.

During these years, perhaps the most impressive characteristic of the Canadian economy has been not only the sustained high rate of economic activity but the pervasiveness of economic growth. The capital investment program which underlies the whole expansion made itself felt in all industries and in all parts of the country. Modernization and expansion have been the keynote in every sector of the economy. Spectacular developments have occurred, particularly in the field of natural resources, beginning in 1947 with the bringing into production of large oil and gas discoveries in Alberta. Among the other important landmarks of the last 10 years in the development of our resources are the Kitimat aluminum smelter in British Columbia, the vast Quebec-Labrador iron ore project, the discovery of uranium deposits in Northern Saskatchewan and Ontario, and the harnessing of great new sources of low cost hydro-electric power. At present, in company with yourselves, we are watching the last stages of the St. Lawrence Seaway and Power Project, an engineering development whose scope and magnitude are without equal in North America.

St. Lawrence Seaway

To digress for a moment, I would like to say more about the St. Lawrence Seaway, an exhilarating and fascinating venture and one worthy of the North American people. Some idea of the public interest in it can be gained from the fact that up to the present almost two million people have travelled to the Canadian side of this great river to observe the progress being made on the project, and no doubt this year's opening ceremonies will bring additional hundreds of thousands of visitors. A great deal has already been written and said about the Seaway but, because it is of immediate and lasting interest to residents of your state and city as well as in my own area, perhaps I may briefly outline the more striking aspects of this undertaking.

When completed, the Seaway will mean a deep water channel of 27 foot draft some 2,200 miles in length and extending almost halfway across the continent. The waterway will bring into international significance the already rapidly expanding industrial area surrounding the St. Lawrence-Great Lakes Basin. On the north are Ontario and Quebec which account for about 80% of Canada's manufacturing and processing industries. I am sure I do not have to describe the present and potential industrial situation in the eight states (including your own) which are adjacent to the Seaway, comprising as they do 35% of the total U. S. population.

All in all, over $1 billion is being spent on the whole project. Interestingly enough, although we loosely refer to the whole thing as "the Seaway," and although it is the navigational aspects that have captured the imagination of the public, the biggest share of the cost will be for the power facilities. These are expected to require $600 million, shared equally between the Province of Ontario and the State of New York. The waterway facilities will cost about $470 million. It is perhaps not generally understood that Canada's share of the expenditure involved in the new water route to the heart of this continent is much larger than that of the United States, about 70% in point of fact. As agreed by the legislatures of both countries, the capital cost of the seaway facilities will be liquidated over a 50-year period through tolls on waterway traffic.

What is the St. Lawrence Seaway likely to mean in terms of North American economic development? Certainly reduced shipping costs seem in prospect through the elimination of transhipping charges, the saving of time and lower operating costs as larger sized vessels can be used. Some observers anticipate that the first year of operation will see 25 million tons of freight moving through the system as compared with about 12 million previously, and that traffic will then double in 10 years to 50 million tons. This great project shows the world what teamwork by two friendly nations can do in the practical field of cutting costs and increasing mutual prosperity.

Returning now to the state of

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pacity. Cuban production was also reduced as a result of lower demand and internal disorders in that country.

Free World Nickel Production Capacity to Increase

Today's free world annual nickel production capacity of approximately 525,000,000 pounds is expected to rise progressively in the next few years. This capacity, it is estimated, will reach about 550,000,000 pounds in 1959, about 600,000,000 pounds in 1960, and about 650,000,000 pounds in 1961. It is significant that the projected 1961 nickel production capacity will be about double the estimated total free world consumption in 1958. As a result, consumers who had been forced for a protracted period to curtail their uses of nickel for civilian purposes can now be assured of steady, abundant supplies of this extremely useful metal in the years ahead.

A substantial part of the estimated increase in free world nickel production capacity by 1961 will be forthcoming from International Nickel's Thompson Mine in Manitoba which has been under development for two years. This project is scheduled to start its breaking-in period some time in the latter half of 1960. Full production at the annual rate of 75,000,000 pounds will be reached as soon as possible after the end of the breaking-in period. At this rate, International Nickel's production capacity at its operations in Ontario and Manitoba will total 385,000,000 pounds per year. The Manitoba project will be the world's second largest source of nickel, exceeded only by the company's operations in the Sudbury District of Ontario which have an annual nickel production capacity of 310,000,000 pounds. This project is being financed from company funds and without any government guarantee of a market.

The free world's total potential output in 1961 also includes from Canada that of Falconbridge Nickel Mines Limited and Sherritt Gordon Mines Limited. As the result of expansion programs in which these companies have been engaged, their respective capacities will reportedly amount to 55,000,000 and 27,500,000 pounds per year. It has been reported that the capacity of the United States Government-owned plant at Nicaro, Cuba, will be 54,000,000 pounds annually, and Freeport Sulphur Company has announced it will produce 50,000,000 pounds of nickel annually from its deposits at Moa Bay, Cuba. The capacity of producers in the United States is estimated at some 20,000,000 pounds of nickel annually, originating largely from the M. A. Hanna Company's deposit at Riddle, Oregon. According to published statements the French nickel company, Societe Le Nickel, with mines on the island of New Caledonia, contemplates increasing its nickel output to some 50,000,000 pounds per year. In addition, there will be a relatively small output of nickel in Japan, which is also produced from New Caledonia ores.

In October, 1957, the United States Government authorized the diversion to industry of some 135,000,000 pounds of nickel scheduled for stockpile delivery in 1958. Due to the over-supply, much of this nickel, a large portion of which was premium-priced, did not find markets. The Government has announced it will also offer to industry in the United States all the nickel — about 100,000,000 pounds—contracted for stockpile delivery in 1959.

Nickel Prices

The market price for electrolytically refined nickel remained thorughout the year at 74 cents (United States currency), including the 1¼ cents United States import duty.

In July, International Nickel's United States subsidiary, The International Nickel Company, Inc., announced that it had set the price of its 75% nickel oxide, packaged, at 69.60 cents per pound of contained nickel, Buffalo, N. Y., or other established point of entry into the United States. Previously the company's price was 70.25 cents, unpacked at Copper Cliff, Ontario. This reduction was an attempt to price the nickel oxide produced by International Nickel on a competitive basis.

Nickel Applications

The greater availability of nickel during the year brought with it changes in applications, some new and others a restoration of older uses which had been in effect prior to the period of restricted civilian supplies. Free world nickel consumption by fields in 1958 is estimated as follows: stainless steels, 28%; engineering alloy steels, 16%; nickel specialty alloys, 16%; foundry products, 15%; electroplating, 14%; copper and aluminum base alloys, 6%; and miscellaneous, 5%. These figures show that the steel industries continued to be the largest consumers of nickel.

A traditional use for nickel is **coinage**, and during the year consumption in this application rose by 50%. A quaternary coinage alloy was developed at the Mexican Mint, and nickel alloyed coinage returned to Argentina for all denominations and to Colombia for some denominations. Canada continues to use pure nickel for its five-cent piece. In Europe, established nickel and cupro-nickel (copper-nickel alloy) coinages continue and new cupro-nickel coinage was introduced in Spain. Cupronickel has also been adopted for new coinage issues in Ghana and Nigeria.

A good potential market, dependent on both product and market development, is the **nickel-cadmium storage battery.** Taking advantage of a nickel-carbonyl powder specially developed for the purpose by International Nickel, various battery manufacturers are now expanding their facilities to develop and enlarge this market."

Nickel Output

Consumption of nickel in recent months has shown an improvement over the low levels touched earlier in the year, and it is expected that this situation will continue into 1959.

The nickel industry is entering into a period of vigorous competition. During the past period of nickel shortage, producers of competitive materials have naturally taken advantage of the fact that large quantities of nickel were required for defense production and were also put into government stockpile. As a result substantial inroads were made into traditional civilian markets for nickel. Now that nickel supplies are plentiful, both for defense and civilian purposes, the nickel industry must recapture these markets and create new uses for nickel-containing products.

We are confident that the research and sales programs of International Nickel and the other nickel producers will result in a steady upward trend in consumption with substantial benefits to the nickel producers as well as to nickel consumers.

ARTHUR W. WHITE

President, New Dickenson Mines

In recent times we witnessed years when Uranium boomed, Copper had its day and Iron was in the limelight. I believe that the year 1959 will be outstanding for Gold. Already the gold indices on the Toronto Stock Exchange have gone to new highs. Established Gold Producers and speculative Golds have marked up solid gains. There is no doubt that public interest in Gold is growing.

Arthur W. White

Gold, the metal itself, has become a commodity which the man in the street can buy. In the early days of 1959 I was able to, and did buy, in the free market, a bar of Gold of 33 fine ounces, without any restraint or restriction.

One might ask the question — "Why would I, the President of New Dickenson Mines, a successful, growing, dividend-paying Gold mine bother to make such a transaction?" It is a little difficult to explain, unless it is that, somehow, it symbolizes a new freedom—the freedom to buy and own Gold, brought about by the Canadian Government action in removing restrictions so that now either residents or non-residents of Canada may own it. Further, to me it feels good to own something, the value of which, is recognized the world over.

Looking back on the stock market in 1958 we see a rising index for industrials. What caused that rise?—many theories are put forward but few will stand logical enquiry when one considers that profits and earnings have not come within sight of stock market prices.

Optimism then—can that be the answer?—it may be, but for every optimist it is possible to find a pessimist who can see a "break in the market" just around the corner and who sees a similarity between today's pattern and that of 1929 to 1932.

I do not agree with these pessimists but nevertheless, a certain uneasiness is induced in the optimists who continue to make their progressive bids in the market, but at the same time, look for "savers" to hedge their investments. And that is where Gold comes in, in 1959. Gold is the metal by which values are measured the world over, irrespective of currencies—it is a financial commodity with no foreseeable substitute. It has come to the rescue in more than one financial crisis.

In spite of U. S. Government persistence that there will be no rise in the price of Gold, the heavy drain on her Gold pile during 1958 promises to be repeated in 1959 and it could well be the forerunner of an upward revaluation in the price of the yellow metal—Full convertibility of European currencies is not an answer to the American export difficulties — It is an open door, certainly but the export goods are too expensive to push through it.

So—back to my bar of Gold—if a currency devalues, then the bar will buy more of that currency. It is a basic, indestructible hedge against inflation.

And what of the Canadian Gold Producers? In happy coincidence with the trend to Gold there is an upsurge in the Gold mining industry. In some instances it is improved operating conditions, in others, it is new discoveries underground. In the growing Red Lake Gold camp, New Dickenson Mines, along with four other nearby producers, has been able to announce the development of a new and profitable orebody. The improved knowledge of the geology of the district and the activity of the many mining companies in the area induces me to believe that other Red Lake properties will be put into operation—and soon.

In the Yellowknife district, Consolidated Discovery Yellowknife Mines Limited, already the highest grade Gold mine in Canada has, during 1958, marked up even higher grades. Still further to the north in that district, Taurcanis Mines Limited plans production and will be the first new Gold mine since 1952.

So—all in all, 1959 promises to be the year for Gold.

G. L. WILCOX

President, Canadian Westinghouse Co. Ltd

While the past year was characterized by a reversal of the downward trend experienced in 1957 and a general firming of business in a number of areas, it would be sheer complacency to predict a strong continuation of this upward trend in 1959. There has been prevalent in the immediate past years too much of a tendency in this country to foresake long-term planning and to implement those policies which bring only immediate benefits. Consequently, during the coming year, we will be faced with a number of postponed as well as new problems and the manner in which these are handled or are not handled will have considerable bearing on level of business.

G. L. Wilcox

Action has yet to be taken to provide many of our industries with some degree of relief from the influx of low-wage foreign products into our domestic markets. Measures will have to be instituted to curtail rising costs, which are plaguing the business community and, even more important, is the necessity for establishing a definite monetary policy. Conscientious efforts in these areas, while they may not result in a record breaking year in 1959, are, nevertheless, vital in order to establish the sound basis required for our future growth and prosperity.

As far as 1959 is concerned, prospects for the heavy apparatus segment of the electrical industry are not promising. When business started to decline in the early stages of 1957, capital spending programs were drastically curtailed. Consequently, the reduced volume of orders entered for heavy apparatus equipment in that year and into 1958 is just now beginning to be felt. It is estimated that the 1959 level of activity in this area will be about 15-20% below that of 1958.

In the area of small apparatus, the level of activity in the industry may be up by approximately 10%. These gains will be the result of continued strength in residential construction, an increase in institutional and public building type of construction, and a more or less general increase in the rate of industrial activity which we are anticipating around the end of the first quarter.

As far as consumer goods are concerned, we do expect some improvement in 1959. In fact, during the past three months has already been a decided increase in the sales of radio, T.V. and appliances. This is undoubtedly due to the continuing high rate of personal disposable income, record demands for new housing, and possibly of even more importance, a feeling of greater optimism which seems to be spreading throughout the business community. There is, however, a very real threat which may curtail consumer spending on durable goods in 1959 —and I am referring specifically to the possibilities of another round of inflation. In view of increased costs resulting from higher freight rates, higher steel prices and higher wages, just to name a few, and in view of their already low profits margins, electrical manufacturers will be forced to increase the prices on a number of their consumer products items in 1959. And we know from experience that such action, especially when people are inflation conscious, could well result in the postponement of their spending, particularly for durable goods.

The electrical manufacturing industry as a whole may look forward to a level of business about the same or moderately higher than that of 1958. It is not reasonable to expect, however, that this level of activity will be achieved automatically. Unless basic policy help is forthcoming, it will have to be attained in the face of increasing difficulties over which the industry has little or no control.

R. H. WINTERS

President, Rio Tinto Mining Co. of Canada, Ltd.

1958 has been a significant year for Canada's uranium industry. All mines and mills previously under development and construction reached their scheduled operating capacity during the year. Exports of uranium, nearly all to the United States, constituted 5% by value of all Canadian exports for the first eight months of 1958. Over the whole year uranium emerged as the largest export earner of all Canadian minerals, surpassing nickel for the first time. In 1959, the total year's uranium output should be even larger than this year.

R. H. Winters

Now that the mines and mills are in full production, after strenuous efforts to meet their "crash" development programmes, the industry as a whole can devote more time and energy to the vital question of improving operational efficiencies and reducing costs in order to meet any outside competition. Efforts will continue in 1959 to provide additional housing and other

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Capital Inflow, Inflation and Monetary Policy in Canada

the economy, I believe it should suffice to say that in substance we have run a parallel course with you in the United States. The major digression were that we turned down a little sooner but a little less steeply than you did, and we also turned up again sooner but less aggressively than your economy appears to have done. Nevertheless, although we started out the year 1958 with many misgivings, it goes into the record as still a very good year and it has the enviable distinction of passing along to its successor a much healthier economy than it inherited.

1959 Economic Challenge

As we enter 1959 it is pretty clear that Canada has a long way to go yet before her productive potential is developed to the full. We have a firm basis for a resumption of rapid growth in output when demand once more turns upward, but for the time being we do have unemployed resources that present a challenge to our ingenuity.

Unemployed labor is one of our biggest worries of the moment. Because of our more severe climate and because of the nature of our basic industries, seasonal swings in employment have always been greater with us than with you. The worst season is usually in February or March, and this year we expect that one worker out of 10 may very well be unemployed at that time, as was the case in 1958. Even if we have the expected growth of 3% or 4% in Gross National Product measured in constant dollars we could conceivably end the year with rather more unemployment than we should like. Our population is increasing rapidly, especially in the age groups that make up the labor force. As a long-run matter this is all to the good, for we will certainly need a growing pool of capable labor in order to make full use of our potentialities, but for the moment it does aggravate the employment situation.

Despite an unpleasant volume of unemployment and other indications of unsued capacity, however, consumer prices have continued fairly strong in Canada. Indeed I think the greatest challenge we face today is the problem of reconciling maximum employment with a stable dollar. I would judge that we are not unique in this respect. A good deal is being said on the subject in many quarters, usually in terms of the dangers of inflation. Now I would be the last to deny that inflation is dangerous, and I must certainly admit that a general rise in prices is usually accepted as conclusive evidence of inflation. Nevertheless it seems to me that the present situation is very different from past inflationary periods, and that it would be a serious mistake to apply the usual remedies. Immediately after the war, for example, prices rose quite sharply for a while—by over 9% in 1947 and over 14% in 1948. Probably this was an inevitable product of the transition from a war-time economy to a peace-time economy, given the great increase in money incomes and the almost insatiable backlog of consumer demand that had been built up, not to mention the enormous increase in the money supply. In 1951 prices also rose by over 10%, this time due largely to the Korean war. Again prices were rising by about 3% per annum in the advanced stages of the 1955-57 boom, as the monetary authorities found it difficult to cope with the pressure of expansionary forces. In all these cases it is clear that inflationary pressures of the classic type were at work. To use the popular phrase, there were too many dollars chasing too few goods; labor, materials, and productive capacity were all scarce. Today this is not the case. Instead of pressure on productive resources we have widespread overcapacity. Instead of labor scarcity we have unemployment. Indeed it is precisely because of this that our concern is so aroused, for it is widely recognized that to apply the usual remedies of monetary and fiscal restraint would be more likely to aggravate the unemployment situation than to end the price rise.

Paradox of Tighter Money Now

If it is insisted that today's price rises are a form of inflation all the same, I can only say that it is much more subtly based than anything we have experienced before, and it will require equally subtle handling. It is not very helpful to describe the government deficit as inflationary at the present time, though it is possibly not premature to talk of balancing the budget, and it would certainly be a great boost to morale if we could be assured that we would see the budget not only balanced but actually put in surplus at the appropriate stage of business recovery. Tighter money now would discourage business expansion without bringing any material lessening on the upward pressure on prices. Restraints on consumer credit do not appear needed until there are signs that the supply of capital is becoming inadequate to meet demands for the expansion of productive facilities; production should surely have priority over consumption as a claim on the available capital when there is not enough for both, but there is no reason to limit the latter when the former is not in danger of going short. Monetary and fiscal policies have served as us admirably so far in the postwar era, for they have enabled us to keep the fluctuations of the business cycle within tolerable limits — very tolerable indeed by comparison with the 1930's, before these techniques were very well understood. If we expect them to solve all our problems, however, we may end by discrediting them entirely.

Furthermore for Canada at least I think we must by all means avoid undue timidity in our approach to the problems that are ahead of us. We have vast resources to develop, and we seem to have a labor pool that will be adequate to make use of those resources. If production and employment are to continue to grow at a rate commensurate with our potentialities we must be prepared to act boldly and to take some risks. The money supply must be allowed to expand appropriately. From the long-run point of view an overly-restrictive monetary policy might easily choke off healthy economic growth, and in the short-run it would hamper our export and domestic industries because it would tend to put an artificially high exchange value on the Canadian dollar. The premium at which our dollar now stands is something which I believe requires attention and some action on the part of our monetary managers.

Wants Controls Plus Easy Money

I do not suggest we should passively accept rising prices as inevitable. Far from it, for we must find some way of restraining them. As I see it, however, we must approach the problem as one of keeping our costs of production from rising and prejudicing our position in competitive world markets, not of restraining effective demand. Without infringing on the proper role of monetary and fiscal policies in promoting maximum employment and a healthy climate for economic growth, we must find supplementary devices that will keep our costs from getting further out of hand. Wages are a case in point. They are by no means the only element in costs, and I do not mean to make labor the scapegoat for our present dilemma, but they certainly are a very important part.

I mentioned earlier that our two countries have followed strikingly similar courses, but it is of paramount importance that we in Canada realize that there are some paths along which we cannot go hand-in-hand with you except at our peril. One of these is matching wage increases granted in the U. S. without corresponding gains in productivity. With such a substantial proportion of your production traded internally moderate cost distortions may not, for a time, prove too serious. In Canada, however, exports are a very significant part of our total production and it would be highly imprudent for us to ignore additions to our cost structure even in the short run. Indeed the danger relates not only to our exports but to our own domestic markets as well, for our domestic industries face strong competition from imports.

It will take goodwill, cooperation, and firm resolve on the part of all of us to find and apply a satisfactory solution to this dilemma within the framework of our free enterprise system just as we must all share responsibility for the loss which has already taken place in the purchasing power of our respective dollars.

Now it is time to bring these remarks to a close. I have ranged over a variety of Canadian problems. On some of these matters our interests are parallel. On some they are not. However, it seems to me that there is very real danger of exaggerating our differences and forgetting the things that hold us together. I cannot find any better note on which to conclude than the wording which is to be placed on the new St. Lawrence power dam at the dividing line between the U. S. and Canada. It will read as follows:

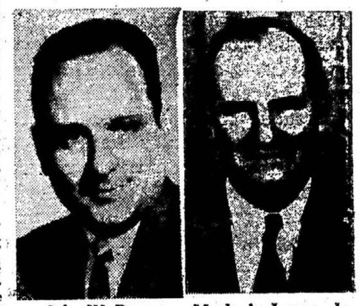
"This stone bears witness to the common purpose of two nations, whose frontiers are the frontiers of friendship, whose ways are the ways of freedom and whose works are the works of peace."

Named Director

Robert M. Gintel, associated with Cady, Roberts & Company, New York, has been elected to the board of directors of Minneapolis-Moline Company. Prior to joining Cady, Roberts in December, 1957, Mr. Gintel was with Thompson & Rittmaster, business analysts and financial consultants.

NASD District No. 4 Elects Bunn & Lucas

ST. LOUIS, Mo.—John W. Bunn, Senior Vice-President, Stifel, Nicolaus & Co., Inc., St. Louis, was elected Chairman of District



John W. Bunn   Mark A. Lucas, Jr.

Committee No. 4 of the National Association of Securities Dealers.

Mark A. Lucas, Jr., President, Lucas, Eisen & Waeckerle, Inc., Kansas City, Mo., was elected Vice-Chairman.

District No. 4 comprises the States of Kansas, Missouri, Nebraska and Oklahoma. Prior to the reclassification of districts last year, Kansas, Oklahoma and western Missouri were District No. 5.

William S. Clendenin, with the NASD office in Kansas City, is Secretary of District No. 4.

Mulvehill Elected Director

Edward L. Mulvehill has been elected to the Boards of Directors of the Broad Street Group of mutual funds — Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.—it has been announced by Francis F. Randolph, Chairman of the companies. Mr. Mulvehill is President and a director of American Re-Insurance Company.

C. T. Finney Opens

(Special to THE FINANCIAL CHRONICLE)

FLORENCE, Ala. — Charles T. Finney is engaging in a securities business here under the firm name of C. T. Finney Co. Mail address is P. O. Box 847.

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facilities for employees at the minesites and to attain even higher standards of health and safety in mining operations.

The industry will devote much activity during 1959 to the question of its present and future markets. Through a recently formed uranium producers' committee within the Canadian Metal Mining Association, close contact will be maintained with the Government, on an industry-wide basis, on all matters affecting the industry's present and future activities. Efforts are being made already to persuade the Government to remove some of the restrictions presently impeding non-governmental sales abroad of Canadian uranium. A major task of the industry in 1959 will be to make the Government and the general public more deeply aware of the size of this young industry, its permanence on the Canadian scene, and its importance to the Canadian economy.

EDWARD C. WOOD

President, Imperial Tobacco Company of Canada, Limited

As in other years, when there has been some hesitancy in the general economy, the trend of sales in 1958 for the Canadian tobacco industry has exceeded that of industry in general by a wide margin. According to the latest figures available, cigarettes excised for release in Canada show an increase of 7% for the eleven months ended Nov. 30th, 1958, as compared with the same period one year ago. Cigars for the period are up 10% and the total of other manufactured tobacco products shows a gain of 4%. In the cigarette and cigar fields, there is no doubt but that part of the above increases are due to the introduction of new brands and packings. The trend to a greater variety of filter-tipped cigarettes has been maintained. Several new brands of cigars have been placed on the market. When final figures for the year are published there will be an increase of about 5% in the total volume of manufactured tobacco products.

Edward C. Wood

Increased costs for leaf tobacco, other materials and labour, coupled with greater promotional activities, have increased the pressure of the cost-price squeeze with which the industry was faced at the close of 1957. The problem has, in part, been met by technological progress but, being an industry burdened by exorbitant Federal Excise and Provincial taxation, the cost-price squeeze operates within a narrower margin than in many other industries.

Having experienced favourable weather conditions, only very light losses from hail and no early frosts, tobacco farmers grew a record crop of 200 million pounds, the bulk of which will be marketed by public auction in the growers' second year under the Ontarion Farm Products Marketing Act.

For several years there has been steady growth in the Canadian tobacco industry and present indications point to a continuation of this trend through 1959.

ELLIOT N. YARMON

President, Tankoos Yarmon Ltd.

1958 saw a continuing flow of U. S. capital, estimated at more than $60,000,000, into Canadian real estate investment purchases. The figure will increase to $100,000,000 during 1959. This influx of U. S. money in the realty investment field does not include funds for such things as first mortgages in residential developments.

Elliot N. Yarmon

The wrinkles brought on by the monumental growth pattern of all Canadian industries are being methodically ironed out by government and business leaders so that even the most pessimistic observers find it difficult to be anything but confident about our future.

A major event during the year was the Canadian Government's simplification of the handling of United States resident's investments in Canada by passing the new Estate Tax Act which imposes the flat 15% on Canadian holdings. This replacing a cumbersome graduated scale and produced increasing savings. U. S. residents whose tax burden is lightened by realthy investments in Canada's ten provinces as a result of the new legislation, can now save up to 61% in taxes on the amount they invest in Canada. For example, a $200,000 holding in Vancouver, out of a total United States estate of $2,000,000, can result in a 30% tax saving of $60,000. The new Estate Tax Act brings inheritance regulations in line with the flat 15% withholding tax on stock dividends paid to United States investors.

In reviewing 1958, I believe that when all statistics are in, the total spent on construction in Canada will exceed substantially the projected $7,100,000,000. And there is no reason to doubt that whatever the final figure is, it will be topped by work carried out in 1959. The Royal Bank of Canada has projected this further and forecasts that in 1980 new construction may total $9,600,000,000 and repairs $3,200,000,000.

Industrial building in 1958 may show a 10% drop from the second highest peak level in 1957 of $558,300,000, as a result of tight-money policies and the effects of the recession. But there is every reason to believe that in 1959 industrial construction will take a huge leap forward. Canadian industry, new and old, needs new warehouses, new factories and new offices.

Even though many of the major construction projects have been completed—such as the $400,000,000 Kitimat power and aluminum project—development of harbors and airports, among other things, will provide the Canadian construction industry with ample work.

The construction industry in the Dominion employs about 600,000 persons and has an annual payroll of about $2,250,000,000. It is Canada's biggest industry and spends more each year than the combined budgets of the Federal Government and the Province of Ontario.

Residential building is expected to exceed $1,900,000,000, while roads this year will account for $900,000,000, power projects about $1,800,000,000 and schools about $240,000,000. Although many huge construction projects are nearly completed, there are quite a number, including the $250,000,000 iron ore development by U. S. Steel in Quebec, that are currently being carried out, and more are bound to follow.

We commend the Federal Government's policy of launching a national development program to support the economy on a long-term basis. Expenditures totaled $164,000,000 in fiscal 1957-58 as against $9,250,000 in 1930.

This program and others will lead to the development of vast Canadian resources in the northlands, which within the next century will contain cities the size of Montreal, Toronto and Vancouver.

The Department of Transport, alone, will spend $100,000,000 in the next four years enlarging and modernizing airports under its jurisdiction.

Canada's population has increased by more than one third in the past decade and the country now is absorbing about 500,000 persons annually. Last year Canada took in 282,164 immigrants, the largest number since 1913.

We should be happy that the high priority defense program is all but finished from a construction point of view. Now we can get on with other jobs.

Our firm was founded several years ago to specialize in the investment of U. S. capital in Canadian real estate, and interest by U. S. investors in Canada has never been as great. During the past four years, our organization has handled transactions totaling in excess of $85 million in long-term Canadian realty investments. There is no shortage of American funds for this type of investment. If the proposition is attractive, then funds are available.

Interest in Canadian realty investments has been steadily increasing during the past few years, as more and more U. S. investors become aware of the excellent opportunities for appreciation of investments in a country which, generally speaking, provides higher yields.

Another facet of the growing interest in Canada by Americans is the popularity of mutual fund organizations. Four American-Canadian investment companies on Dec. 31, 1954 had $126,245,000 in net assets and 38,336 stockholder accounts. One year later there were seven companies, net assets of $224,927,000 and 74,600 accounts. By the end of 1956 there were eight companies in the field, $315,246,000 in assets and 97,198 accounts. The most recent survey showed that the eight companies had net assets of $378,923,319 and 127,957 accounts.

All phases of Canada's construction industry accounts for more than 20% of the country's Gross National Product, meaning that one in five dollars spent on goods and services is a construction dollar. The National Research Council in Ottawa was making experiments to see if construction work could not be carried out in the cold winter months as well as in the summer. The severe Canadian winters have always hampered the construction industry, and, as a result, its feeders. Progress is being made in this direction with the expectation that before long construction will lend support to the Canadian economy throughout the entire 12 month period.

D. K. YORATH

President, Canadian Western Natural Gas Company Limited
Northwestern Utilities, Limited

This is being written on the eve of public hearings to be conducted by the Oil and Gas Conservation Board of Alberta on applications of three companies to export gas from the Province, namely Alberta & Southern Gas Company Ltd., Westcoast Transmission Co. Ltd., and Trans-Canada Pipe Lines Ltd. It is possible that before this year is over a permit or permits for additional export of natural gas will be approved and granted by the Governments at Edmonton and Ottawa and the import into the United States approved by Washington.

Dennis K. Yorath

The granting of such permission will have an almost immediate impact on the economy of Alberta. Increased exploratory and development drilling will occur, surveys of pipe line routes will commence, right-of-way be purchased and cleared, just to mention a few items preparatory to the actual construction of pipe lines. When the pipe lines are built and in service and the fuel beneath the foothills and plains of Alberta is being transported East, West and South, the effect on the economy of Alberta, Canada and yes, the Western United States, will be sizeable. As the result of arrangements which the Alberta Utility Companies have made with the companies applying for export permits, the consumers in the Province are assured their future requirements for natural gas will be protected for at least thirty years under favourable terms and in a manner which could not have been accomplished in any other fashion as satisfactorily.

There is one factor which must be watched to ensure that the efficency of Canada's gas industry is not unecessarily hampered. The economy of this continent has thrived under the competitive, free enterprise system. Pipe lines of the length and size now being contemplated require the raising of hundreds of millions of dollars. Unnecessary, too stringent or too much governmental regulation could quite easily dry up the money market, frighten the entrepreneur and strangle the projects at birth. This is something that must not be allowed to happen.

Let us hope that no Canadian Government will be mislead into action which might throttle or retard the development of Canada's natural gas industry by unrequired and undesired regulatory bodies or procedures. The industry is not monopolistic, in fact at the prices gas will be selling in Eastern Canada, it is subject to keen competition. The industry requires assurance that our governments will not legislate for over-regulation. It is confident that they are aware of the dangers of such a step.

The autumn of 1958 saw Alberta natural gas reach its markets in Eastern Canada, where it received a gratifying acceptance. Unfortunately, it is possible increased acceptance to the extent anticipated may be temporarily retarded as a result of some recent explosions in Ontario attributed to natural gas. I am informed that the Province of Ontario has already instigated a study of safety measures which might be required of a natural gas distributing company. Other Provinces where natural gas in being supplied for the first time may undertake similar studies. Certainly Alberta can be used as an example worthy of examination. Natural gas has been used there since 1912. The two major utility companies have practically 100% heating load saturation of the market they serve. Their safety record is excellent. It speaks for itself: with a properly installed, well maintained and operated plant natural gas is as safe, if not safer, than any other fuel.

When the public is satisfied that natural gas is safe to use and if the fuel is sold to the accompaniment of a high standard of courteous service, there should be a steadily increasing build-up of the market all across Canada. It should not be too long before the rest of Canada is similar to Alberta, in that no new house will be built in any community, where natural gas is available, that is not heated by gas and the majority of older homes now using other types of fuel will have been converted.

In the last two years great strides have been made in the improvement of gas appliances, the range, hot water heater, drier, incinerator, refrigerator, space heating and air conditioning equipment are at least as efficient and modern as any appliance utilizing any other type of fuel. I would expect the gas appliance manufacturers' business to boom in 1959.

In my opinion there is no evidence to show that the rate of population growth in recent years will not be maintained. I can see no reason to believe that the same or nearly the same amount of housing construction will not occur in 1959 as last year, both in Alberta and other provinces; population and housing both adding to the potential natural gas market.

All in all, a bright future for Canada's newest major national industry, which as it develops and prospers will contribute much to the wealth of the nation and the comfort of its peoples.

Continued from page 2

The Security I Like Best

operation by manufacturing additional implements and some tractor components in the next two years.

In Argentina, Deere has begun the construction of a farm tractor plant near Rosario. The Government of Argentina has recently accepted Deere's proposal to manufacture 3,000 tractors per year in that country. At present Deere is assembling tractors in rented quarters. This new factory combined with the Monterrey factory should establish the basis for considerable sales and manufacturing expansion in South America.

In 1956 Deere acquired a majority of the capital stock of Heinrich Lanz Company, one of the largest manufacturers of tractors and farm machinery in West Germany, and now owns approximately 85% of the stock of this Company. Lanz has an excellent world-wide reputation for performance and quality, having been engaged in this business for 100 years. Deere has embarked upon an extensive product research and development program and expects to generate substantial European business through careful nurturing of this Company, which employs approximately 7,000 persons and has plants totaling more than 2,500,000 square feet.

On the financial side the Deere management has taken equal pains to insure a firm footing. In 1958 Deere merged its several U. S. manufacturing companies into a new Delaware parent corporation and included in the merger was an equitable plan whereby its high dividend rate non-refundable preferred stock could be converted (through the medium of tax-deductible interest-bearing subordinated debentures). The approach to this merger by the Deere management encompassed four basic standards, i.e. (1) a saving in annual fixed costs to the Company, (2) maintenance of Deere's enviable record of meeting its obligations to both its creditors and its stockholders, (3) assurance of fair treatment of all holders of its securities, and (4) the plan had to be beneficial to the Company overall. The plan was so successful and well received that the Company received an abnormally high vote of approval at its meeting last July 29.

Early in 1956 Deere changed its policy with respect to John Deere dealers which change provided such dealers with a more favorable opportunity to settle their company accounts with notes they had accepted from their farm and industrial customers. Under this new policy much more of the retail paper is flowing into Deere rather than being financed by others as had been the case. In 1958 Deere established a credit company, John Deere Credit Company, whose purpose is to purchase such retail notes from John Deere sales branches in the United States. Deere expects to make capital contributions in the amount of $30,000,000 to the new Credit Company and let the Credit Company acquire all new retail paper. The retail notes now held by the parent company will remain there until maturity.

This new approach should result in two major benefits. First, the Deere dealers will be afforded a wider credit base for expanding their sales. Second, although Deere's net current asset position is very good (approximately $330,000,000 with inventories carried at something more than $40,000,000 below market value as a result of "Lifo" accounting), there should be substantial improvement as the retail notes now held by the parent company mature.

Deere's 1957 and 1958 sales and earnings vis-a-vis its competitors are good examples of the performance of its management. In 1957 when its competitors, with minor exceptions, showed a drop in net income per share as compared to 1956, Deere's net sales were up about 24% (from approximately $313,500,000 to approximately $388,000,000) and its net income per share was up about 48% (from $2.67 per share to $3.96 per share) over the comparable 1956 figures. In 1958, from such reports as have been published, the sales and net per share of Deere's competitors have shown only modest improvement in most cases with substantial improvement in two cases. In 1958, Deere showed the highest net sales in its history (approximately $472,600,000), up 22% over 1957, and its net income per share of $6.06 was up 53% over 1957. From a position of second largest sales in the domestic industry, Deere now appears to be first.

There have been several recent predictions that cash farm income will be somewhat lower in 1959 than was the case in 1958. Variations in cash farm income, of course, affect the sales of farm machinery companies. But changes in cash farm income do not have equal effect on each company as was demonstrated by the difference between the industries sales and earnings results for 1957 and 1958 compared to Deere's record-breaking performance. Deere expects cash farm income will continue at a high level at least until early summer and expects its sales will show a small increase for the full year 1959 over its record sales in 1958.

During the year 1958, Deere common stock had a price range of 54⅛ high and 27⅜ low. At the high of 54⅛ this stock was selling at nine times its 1958 net earnings and 13.6 times its 1957 net earnings. In these days where almost all seasoned common stocks can command a price of better than 15 times current net earnings, where, for example, good grade public utility commons command a price of at least 20 times current net earnings, and, electronic, chemical and business machine companies in some instances command in excess of 30 times current net earnings, it seems in respect of Deere common, Wall Street's analysts have been "asleep at the switch." A company which has shown outstanding management for 122 years, one which shows a superior return on each sales dollar industrywise and is outperforming its competition for increased sales is a company that should be studied by every portfolio manager for possible purchase of the common stock.

All this can be had for a price of something close to nine times prospective net earnings in the case of Deere common. To "add frosting to the cake" consider the management's recent estimate that it believes it can carry-on its presently contemplated worldwide expansion and make the necessary equity investment in the credit company subsidiary without resorting to additional parent company long-term debt or equity financing.

Deere common stock is a security suitable for long range investors of all types as a conservative investment with the only exception being those investors whose main objective is high current yield. It is listed on the New York and Midwest Stock Exchanges and enjoys unlisted trading on the Boston and Pacific Coast Stock Exchanges.

Form Grunberg & Co.

NEWARK, N. J. — Grunberg & Co. has been formed with offices at 24 Commerce Street to engage in a securities business. Officers are J. Julian Grunberg, President and Treasurer, and L. M. Grunberg, Vice-President and Secretary. Both was formerly with Oppenheimer & Co.

Two With Henry, Franc

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Harry L. Franc III and Sheldon M. Lustgarten have become affiliated with Henry, Franc & Co., 308 North Eighth Street, members of the New York and Midwest Stock Exchanges. Mr. Lustgarten was previously with Wm. B. Milius & Co.

Joins H. P. Wood

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George C. Munzert has joined the staff of H. P. Wood Company, Inc., 75 Federal Street. He was formerly with Keller & Co.

J. G. Kinnard Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Walter J. Costello has been added to the staff of John G. Kinnard and Company, 80 South Eighth Street.

Transcontinental Gas Pipe Line Bds. Offered

White, Weld & Co. and Stone & Webster Securities Corp. yesterday, (Jan. 28) headed an underwriting syndicate which offered an issue of $35,000,000 Transcontinental Gas Pipe Line Corp. first mortgage pipe line bonds, 5% series due Aug. 1, 1979, at 98.74% and accrued interest, to yield 5.10%.

Net proceeds from the financing will be used by the company to finance part of its scheduled construction program. The company estimates that its total expenditures incurred and to be incurred after Sept. 30, 1958 to complete its construction program as then scheduled, and as subsequently expanded, will not exceed $165,700,000. A portion of this construction program is subject to the obtaining of Federal Power Commission authorization or to decisions favorable to the company in pending appeals from certain authorizations already granted by that Commission.

Transcontinental Gas Pipe Line Corp. owns and operates an interstate pipeline system for the transportation and sale of natural gas. Its main pipeline system extends 1,842 miles from the Texas and Louisiana Gulf Coast to the New York - New Jersey - Philadelphia metropolitan area and has a present allocated capacity of 1,108,529 mcf. per day, exclusive of gas available from storage. The construction program of the company, scheduled for completion this year, includes three principal segments: (1) increasing the allocated capacity of the main line to 1,292,177 mcf. daily which will complete the initial "looping" of the original line from Louisiana to New York with large diameter pipe and mark the beginning of a third parallel line; (2) the construction of 564 miles of purchase laterals in southern Louisiana to tap new gas reserves; and (3) the building of 192 miles of line from points of connection with the main line in New Jersey to the Leidy Storage Field in north central Pennsylvania and the initial development of this field. The new storage field will increase the company's ability to deliver gas from underground storage during the winter heating season from 136,452 mcf. to 340,452 mcf. per day, starting with the 1959-60 heating season.

The new bonds will be redeemable at optional redemption prices ranging from 105% to par, plus accrued interest. However, no redemptions may be made prior to Feb. 1, 1964 as a part of or in anticipation of any refunding operation in which debt is incurred at an interest cost to the company of 5.10% per year or less. The new bonds are also entitled to a sinking fund through which the new bonds will be retired beginning on Feb. 1, 1962 and semi-annually thereafter to the final maturity date, at a redemption price of 100%, plus accrued interest.

For the 12 months ended Sept. 30, 1958, the company had total operating revenues of $110,485,429 and net income of $16,569,302.

D. V. Stabell Opens

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Donald V. Stabell is engaging in a securities business from offices at 5851 Forty-First Avenue, North.

Continued from page 5

Current Monetary Policy And Federal Reserve's Role

competitive world we live in, always with this major proviso as to "sustainability." To cite specific figures, I cannot feel complacent with unemployment still around the four million mark, with our index of industrial production slightly lower now than in the autumn of 1955, and with per capita real disposable personal income virtually static for the past three years. Even after allowance for the considerable growth in population, dollar figures have given an illusory impression of growth because of the rise in prices.

More Savings From Stable Dollar

The social injustices wrought by inflation have been depicted so often and so ably, that I shall pass over this phase of the problem, pausing only to repeat what has been said many times but has not yet sunk into our mentality deeply enough, i.e., that the consumers, the most numerous group in our population, are the least ably represented in political and market arenas. I should like to stress rather the importance of price stability as a cornerstone of growth, both national and international. I have already mentioned the danger that inflationary distortions tend eventually to collapse and to be followed by excessively sharp and severe declines in business activity, as history has demonstrated on many occasions. But there is another aspect we should not lose sight of. Essentially, economic growth depends on the orderly flow of savings into productive investments. There is nothing so likely to interfere with an adequate flow of savings, or to drive savings into unproductive uses, as a public conviction that the dollar will be worth much less after a few years because of erosion of its purchasing power. I am sure that the huge aggregate demand for capital, arising mainly from the investment programs of the past few years, would have been covered much more easily out of current savings if there had been complete confidence in a stable dollar in the years to come.

Let us consider also the relation of inflation to our vast international obligations. In the kind of world in which we live a major contribution by the United States to the further development of the less developed nations is vital. Whether this takes the form of public aid or the more desirable form of private investment (and in fact it must include a good measure of both), the successful transfer of resources to carry out this assistance requires above all a cost structure in this country adequately competitive with foreign costs. If the large gold outflow of 1958 brought any benefits to this country (over and above the obvious benefits to international liquidity), perhaps the greatest was to impress on American business at least—and one would hope on American labor also—the fact that foreign competition is growing apace, both abroad and in our own markets, and that we can no longer conduct our affairs, monetary or otherwise, on the comfortable assumption that the international balance of payments is something that foreigners must worry about, but not we Americans. Now that European industries have rebuilt their capacity to supply export markets readily, we must place more emphasis on restraining cost increases and keeping competitive if we are to avoid a loss of jobs to many American workers.

Refuses Anti-Recession Inaction

The very fact that as a nation we have learned to cope more successfully than in earlier years with the problems of recession has tended to eliminate the "shake-out" in prices and wages which used to characterize periods of low business activity. Because of this it has been suggested that perhaps we should do less to limit recessionary tendencies. I find myself unwilling to accept that suggestion, with its implication that we must sit by and accept heavy economic and social losses—but certainly the condition I have outlined does point to a much greater need than in decades past for vigilance against sizable average price increases during the upward phase of the business cycle.

I hope you will agree that these various considerations make price stability an extremely important objective in our economy. You would think the case was so clear that all segments in our economy would join forces enthusiastically to achieve it. Yet in fact there has been a deplorable tendency to leave most of the burden to monetary policy—a burden which it is by no means equipped to carry alone. Even many of those who approve highly of monetary policy as a means of "fighting inflation" are all too prone to neglect their own spheres of responsibility where the fight on inflation can and must be effectively waged.

It is little wonder, under these circumstances, that a good deal of the monetary authorities' time and effort has been absorbed by efforts to hold inflationary tendencies in check. For one thing, monetary measures can be taken promptly, and without regard for the clamor of pressure groups; also their effects are probably more general and impersonal than any other type of governmental control. They can be applied with a minimum of interference with the free-market principles on which most of our economy is based. Both law and central-banking tradition support a determination on our part to do what we can to protect the dollar's value. Certainly we would very much like to be able to spend less of our time worrying about this objective and to be able to devote more time and effort to promoting more rapid economic growth. The greater the cooperative effort by other elements in our economy to accomplish price stability, the less would be the need for restrictive credit policies.

Announces Fed's Policy

The current situation is a good example of the kind of dilemma which credit policy is called upon to face. Although recovery is proceeding at a gratifying pace, the existence of very considerable unemployment and excess plant capacity in a good many industries would suggest that our policies should be encouraging further growth in production. On the other hand, while the general price level has shown considerable stability for a number of months, and the near-term outlook is fairly good, the seeds of renewed upward pressures are clearly visible and cannot be ignored. These include the increased liquidity effected in the economy in the past year, the continuing threat of further upward cost-price adjustments, the difficulty of bringing the budget back into balance, and the prevalence of "inflation" psychology as exemplified in the level of stock prices, all of which have led to apprehensions abroad as to what the future may hold for the value of the dollar. Taking all these considerations into account, our problem has been to keep a sufficiently close rein on bank reserves to discourage expectations or fears of inflationary developments in credit and the money supply, and yet to avoid interference with orderly recovery and a resumption of growth.

I believe one of the most effective ways to focus attention on this problem would be to amend the Employment Act of 1946 to provide specifically that preservation of stable value for the dollar is a major economic objective of all branches of the Government. This specific responsibility could not fail, I believe, to focus attention on the need for better coordination of Federal spending and tax policies, debt management, and credit activities of various other Government agencies. It could provide them a clearer common link with the Federal Reserve System, and with our own credit policies.

Blames Deficit Financing

Despite the very considerable help which our activities have had from budget surpluses in some recent years, the Federal fiscal position all too frequently has complicated the problem of conducting an effective credit policy. A bias in favor of deficits seems to be inherent in our methods of budget formation, in the inability of the Executive branch to eliminate individual expenditure items from aggregate spending bills, and the lack of any very close tie between the voting of expenditures with the voting of revenues to provide the necessary funds. Thus, there is an understandable leaning on the part of the monetary authorities toward economy and restraint in Federal spending.

I should emphasize, however, that it is not for the montary authorities to presume to decide how the nation should divide the use of its resources between private and public activities. That decision must be made by the people as a whole, both individually, and collectively through their elected representatives. However, it is, I think, quite appropriate for the monetary authorities to urge that, except in unusual circumstances such as a period of recession, whatever public expenditures are decided upon should be covered by taxes or other revenues, and that when boom conditions develop, revenues should exceed expenditures. The current effort to produce a balanced budget in fiscal 1960 is a contribution of the greatest importance, not only toward fiscal responsibility, but also to monetary stability.

Suggests More Taxes

But it would be far from correct to say that the Federal Reserve System is opposed to useful and necessary public expenditures in themselves, whether for defense, foreign aid, or for such domestic programs as urban and highway improvements, school and housing development, etc. The argument may certainly be made that the nation needs more of such useful public expenditures. The key question is, however: "If the nation wants more of these items, is it willing to give up something in order to pay for them?" In other words, is it willing to shift more of the national resources from private to public use through a heavier tax program? With personal consumption accounting for the great bulk of private expenditures, such a shift would in all probability require a reduction in consumption of privately-purchased goods and services through appropriate forms of taxation (unless, of course, the economy as a whole is growing fast enough to permit both public and private spending to expand). The reluctance of the American people to face this choice objectively, and the reluctance of many of our country's leaders to place the choice squarely before them, is one of the most disappointing features of our present economy. We might do well to look at the performance of various European countries, most recently France, where the people have been asked to face similar problems frankly and to make whatever sacrifices are called for in the public interest.

Monetary policy needs allies in the private sector of the economy just as much as it needs allies in the Government. I hope that management and labor are growing increasingly aware of their very real stake in price stability. The practice of restraint in pricing and wage settlements can be of inestimable value in furthering the national interest. As has been said so often in recent years, the granting of wage increases in excess of average productivity gains for the economy as a whole can only lead to the kind of inflationary pressures we are all seeking to avoid. Certainly the rate of improvement in national productivity should be considered an upper limit for the pace of wage increases. The granting of wage rises within this limit would mean that more of the productivity gains could be shared by the consumer, and still permit an adequate return on invested capital, both of which, it can be argued, have a legitimate claim to a portion of the gains. And the holding of wage increases within this limit would check the dilution of the purchasing power of wage earners and retired workers caused by rising costs and prices. While further study is perhaps needed before any figure can be relied upon as this upper limit for annual wage increases (including fringe benefits), it seems much more likely on the basis of past experience that it will turn out to be in the neighborhood of 2% or 3% on average than in the range of some of the major increases sought and achieved in the 1955-57 period. It is, in any case, gratifying that some of the major wage settlements in 1958 seemed to embody less inflationary fuel than those in earlier years. Restraint in wage settlements of course implies a responsibility for corresponding restraint in the price policies of industry.

Marginal Influence Over Interest Rates

At this point a word about interest rates may be in order. There is a popular tendency, even among some financial observers, to point to the Federal Reserve System as the arbiter of interest rate levels. Actually the System is operating on the periphery of our vast economic enterprise, exerting a marginal influence, it is true, but one which shrinks into relative insignificance in comparison with the over-all effect of aggregate capital and credit demands and to aggregate flow of savings — or with expectations of movements therein. This is especially true in the case of long-term rates, since the Fed is not ordinarily a direct participant in long-term security markets and since the banks' activities in this field are more limited than in the short-term area. But even in the short-term area, the Fed is by no means the only influence, although admittedly it is an important one. Interest rates, in any case, are just symptoms of what is happening to affect the demand for and supply of funds in the various parts of the credit markets.

Above all, I should stress the fact that, while the Fed can modify the natural swings in rates, there are limits beyond which such action can only mean undue expansion of the money supply, if the effort is to prevent a rate rise; or undue credit restriction, if the effort is to prevent a drop in rates. In a free-enterprise economy interest rates are the simplest and most impersonal means of allocating savings among various demands for funds. And in order to have freely-responsive rates, we are bound to have fluctuating bond prices, including Government bond prices. All of us would like to damp down the price movements which reflect excessive bond speculation, such as we experienced last summer; but there will always remain a certain range of movement reflecting basic business changes and the public's expectations of such changes. And no apparatus of controls can obscure these basic forces without impeding the adjustment mechanisms that a market economy must have.

Commends Treasury

Incidentally, the Treasury has certainly made a contribution to sound monetary conditions by demonstrating clearly its willingness to pay going interest rates on its new security offerings.

I have been speaking purposely in very general terms. Bankers know that it is sometimes a complex and difficult problem to move from sound general principles to effective day-to-day practices. I would be the first to admit that there is a vast amount we don't know about the detailed techniques of monetary policy—about adequate measures of liquidity, in and out of the banking system, about the effect of varying liquidity upon our own monetary measures, about the extent to which nonbank credit agencies, private and Government, may lie beyond the effective range of our activities. These and many other problems deserve the kind of long-range disinterested study which the Radcliffe Committee is devoting to them in Britain, and which the C. E. D. is endeavoring to initiate in this country.

In the meantime, I fervently hope that as a nation we can achieve more general and wide-spread understanding of the role which monetary policy is trying to play—of the close inter-relationship of our monetary activities and the other economic policies of Government, as well as the policies of management and labor. Above all, what we need is a clearer appreciation of the fact that we are all engaged in a common enterprise, seeking essentially the same inspiring goal of maximum sustainable economic growth and a stable dollar. It is an enterprise in which each of us can be really successful only if we obtain the whole-hearted cooperation of the others. The ground I have been over is pretty familiar — but it seemed to me that sound principles are always worth restating. I trust that in the future, as in the past, bankers can be counted on to further this common enterprise and to create better understanding of these matters in all segments of our growing economy.

Two Join Newhard, Cook

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Bernard J. Kniest and Milton H. Meier are now with Newhard, Cook & Co., Fourth & Olive Streets, members of the New York and Midwest Stock Exchanges. Mr. Kniest was previously with Dempsey-Tegeler & Co.

Harry M. Bennett Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Harry M. Bennett is conducting a securities business from offices at 4102 West Fifth Street. He was formerly with McCormick & Co.

David R. Mitchell

David R. Mitchell, Vice-President of Hill, Thompson & Co., Inc., New York City, passed away Jan. 24.

Continued from page 6

How and Where U. S. Exporters Will Sell Overseas in 1959

in gold and dollar reserves by the U. S. England has acquired $700 million. The jump in West Germany's holdings amounts to $600 million. Holland and Belgium each increased gold balances by approximately. $200 million. Denmark and France added about $60 million a piece. Switzerland's rise has been $150 million, while Italy's gain has been $140 million. This means there is an adidtional $2 billion in Western Europe available for spending on American goods.

American exports to Western Europe in 1959 will increase at least 10% while imports should improve by 5%. But this does not guarantee that all foreign traders on the East Coast of the U. S. necessarily will share in the gain. In fact, with the opening of the St. Lawrence Seaway in 1959, there is no doubt that the relative importance of some of the Atlantic Coast ports may diminish, especially in handling foodstuffs, steel, coal and ores. Consequently, it is my firm conviction that Miami and every other East Coast city must remain alert to its importance as an international trade center and not relax efforts in stepping up port activity.

Singles Out Canada

Before looking at a country-by-country analysis of Western Europe, our first stop today in seeking out the world's best export markets for 1959 is CANADA. Optimism prevails throughout the Canadian industry. Exports improved steadily in 1958 when most other countries were suffering declines. Grain shipments will be up slightly while cattle sales are due for a drop. But increased U. S. investment in Canada will spread the premium of the Canadian dollar over American currency still wider. Shipments by U. S. exporters will recoup more than half of the $750 million drop in 1958, with consumer goods finding considerably better markets.

Now to Western Europe, where the UNITED KINGDOM anticipates a slight downward curve in business until the beginning of the second quarter when a sharp upward swing should get underway. Reasons for the improving outlook are a strong pound, Government props, a pickup in sterling trade sparked by the U. S. recovery and the new aid programs for under-developed countries. Britain's trade surplus in 1958 was the first registered since 1899. Gold and dollar reserves are the highest in nearly eight years and as soon as they reach $3.5 billion, or another $300 million increase, full sterling convertibility can be expected. Britain will resume payments to the U. S. and Canada on dollar loans shortly and can be counted on for a substantial increase in purchases from America during 1959.

Generally, further trade recovery is a certainty in the NETHERLANDS. Sharply reduced inventories will be replenished and imports will gain, particularly from the European Common Market colonies where African coffee and other raw materials will replace Latin American. U. S. shipments should be up at least 10% as result of Holland's increased gold and dollar holdings. The huge balance of payments surplus recorded in 1958 will be reduced somewhat. Unemployment will decrease and a marked gain in industrial investments, particularly from American companies that regard Holland as a choice location, is in the offing as the Common Market gets underway.

BELGIUM's prospects are far from good as unemployment mounts with the end of the Brussels World Fair. The situation is also aggravated by the 1958 slump in Belgian Congo copper and wholesale closing of Belgian colliery mines by the European Steel and Coal Authority. But the tremendous increase in gold reserves as result of the Fair and the huge European Payments Union credits mean dollar imports will rise. A drop in domestic capital spending will be offset by direct investment by numerous U. S. companies that also are choosing Belgium to set up their Common Market headquarters.

French Expansion

Economic expansion in FRANCE will speed up during 1959 after leveling off in the last quarter of 1958. Recessionary fears, which led French industry to curtail inventories and investment programs in 1958, have disappeared. Business is also encouraged by the new factor of stability in French politics. With beginning of the European Common Market, businessmen no longer can put off expansion plans to meet future competition. If the Algerian war is brought to an end, as expected, an extra filip will be given an already promising outlook. A rising tide of American investment is expected in France with start of the Common Market. Thus, capital goods purchases from America will climb.

SPAIN's economy is in midst of one of the worst crises in recent years. Lack of hard currency, low industrial and farm output, unrealistic Government spending and uncontrolled inflation are the culprits. Gold and dollar reserves are depleted, with new issues of pesetas having no backing, so imports from the U. S. will be curtailed still further.

PORTUGAL's gold and exchange holdings remain healthy and imports are being relaxed slowly. However, competition from Germany and Italy is intense. But if the American exporter resorts to the hard sell, he will find business there.

The foreign exchange position of DENMARK is making a gratifying improvement. Exports will continue upward due to successful credit tightening measures and high taxation. Earnings from the merchant fleet will increase slightly after the 1958 slump. Industrial output is recovering and with proceeds from the recent World Bank loan and U. S. financing, imports from the dollar area should gain. Denmark's fate hinges on the European Free Trade Area for, without this integration, Danish exports will be split in two and British retaliation against the Common Market members will hurt the Danes.

NORWAY's four-year plan will help moost the economy in all industrial sectors. Output is scheduled to rise 20% by 1861, with a 5% gain in 1959. Expansion of aluminum, steel, copper and paper production along with increased oil refinery facilities is now making headway. Atomic-powered ships also are being considered. The halt in economic growth in 1958 was due mainly to curtailed earnings from shipping but the outlook is for more chartering of vessels as world trade starts upward and the Common Market demands increased capital equipment imports from U. S. Exports to Norway from America should be up at least 5% in 1959, with a sharp jump in electronics equipment.

Business trends in SWEDEN greatly depend on Britain and the other Western European countries, where three-fourths of Swedish exports go. If recovery in Europe is slow, then Sweden's industrial production is likely to stagnate and unemployment will increase. But if the comeback is steady as expected, output will rise 5%. Imports from Europe and the U. S. must show an upward trend because stocks are depleted. The balance of payments deficit of $40 million in 1958 should be reduced considerably. Sweden's greatest worry is discrimination resulting from the Common Market.

Khrushchev's technique of tightening the economic squeeze on FINLAND is backfiring. Finnish trade with Russia is at a standstill as deliveries of badly needed coal and oil promised by Moscow have been halted. The Reds are still not strong enough to run the country. This is the time for the U. S. Government and the exporter to get a foothold in Finland. Helsinki has the gold and exchange to pay for American goods. The 39% devaluation last September has given the economy a tremendous spurt. Controls on imports have been relaxed and business activity has come to life.

Western Germany

WEST GERMANY's stability is certain to remain, with a rise of 4% in gross national product to $52 billion and 5% increase in output. There will be more spending for consumer durable goods. The motorcycle, not long ago the standard mode of transportation in Germany, is rapidly losing out to the automobile. Exports to and imports from U. S. both will be up. Germany stands to gain from the Common Market but also would be handicapped without the Free Trade Area.

Brightening prospects are in order for SWITZERLAND. Executives of the key watch industry view the 1959 outlook as satisfactory. A 15% drop in imports in 1958 with only a 2% cut in exports slashed Switzerland's customary trade deficit by $200 million. With gold and dollar reserves up substantially, there is plenty of room to expand sales to this market. Prices have been stable and resentment toward the six Common Market countries mean more receptiveness to American exports. In fact, Switzerland openly promises such retaliatory measures as withdrawing from the already defunct European Payments Union if the Free Trade Area is not formed.

Moderate expansion is the outlook for ITALY's economy in 1959. A surge in demand for industrial products is foreseen as a result of availability of consumer spending and stepped-up capital equipment investments in preparation for the Common Market. With labor costs in Italy lower than the other Euromarket countries, Italy is bound to lure more American investment. Tourist receipts and remittances will be at a record in 1959. Lira stability will be maintained while exports and imports will rise. Depleted stocks mean Italy will dig into her $2 billion of gold and exchange holdings—now among the Western world's largest after U. S., Britain and Germany. American exporters should increase their sales to this rich market by about 15%.

AUSTRIA is now regarded as one of the world's ideally balanced small economies and is attracting foreign capital at an unprecedented pace. Sound political and economic policies provide incentives to prosper and grow. Gross national product and exchange balances rise steadily as power, timber, iron and steel, manganese and farm output continue upward. Austrian exports to U. S. are increasing, with this country now one of Austria's major buyers of fibers. Sales by American exporters to Austria jumped sharply in 1958 and will rise again next year.

Turns to Middle East

Moving on to the Middle East, prospects for improvement in U. S. exports to this area are excellent, barring increased tensions. At times in 1958 American shipments were virtually at a standstill because of political difficulties. Chances are commercial exports to the Middle East will be up nearly 15%. However, fears of the Arab countries that the European Common Market will adversely affect the underdeveloped countries are being cleverly exploited by the Soviet Union. The Kremlin will make sure that Nasser will not allow a Middle East Development Bank as proposed by Washington.

ISRAEL's payments deficit increased 12% in 1958 due to rising defense expenditures. The 25% jump in exports envisaged for 1958 fell flat with no gain registered over 1957. U. S. aid and grants are diminishing so Israel must find other ways to offset the huge deficits. Commerce is shifting away from the U. S. to France, Germany, Italy and Japan. The Government counts on a continued steady inflow of American private capital in chemical, shipping, cotton textile and food processing industries.

Civil strife in LEBANON which brought business and industry to a virtual halt for the first half of 1958 will cast its shadow well into 1959. But Lebanon is making up her losses thanks to a sound financial position. Business will be better than in 1958 but not nearly as good as in 1956 nor 1957. Beirut warehouses are full of accumulated stocks of durable consumer goods so that industry will have to produce well below capacity, construction will be limited and imports will be confined to mostly replacement items.

Factories in IRAQ are now resuming full production capacity after the revolution. Great demand exists for agricultural products although scarcity of dollars will force curtailment of manufactured imports. But purchases from U. S. will gain after the 1958 hiatus. Reliable informants indicate Iraq will demand higher petroleum royalty payments once the political maneuvering is settled within the country. Soviet arms shipments recently to Iraq means Moscow intends to woo the new Iraqi Government after all.

In IRAN commercial activity remains brisk. A new liberal import policy and heavy Export-Import Bank lending will result in at least a 15% jump in purchases from U. S. But British interests are re-entering Iran after a lapse of more than six years while Dutch, German and Italians are also eying increased business.

Africa is destined to feel the first benefits of the European Common Market in 1959 as the preferential treatment of the colonies' products will now be extended to all the countries of Euromarket. Total imports of the entire African Continent from America should rise by 10%, as the Belgian Congo and former British and French territories step up buying to industrialize even though import restrictions will reduce the Union of South Africa's purchases from the U. S. by an equal amount.

Exporters here have been losing ground to traders in Japan and Western Europe. For instance, total purchases by Union of South Africa increased by 11.3% in 1957 over 1956. U. S. exports to that nation rose by only 8.4% in contrast to 32.6% for Great Britain, 38.9% for West Germany and 52.5% for Japan. The situation is attributed to tendency on the part of American exporters to pay too little attention to Africa as a specialized market. Trade officials in Washington are advising U. S. exporters to emulate salesmen from Britain, Continental Europe and Japan in making extensive market surveys. Competitive arrangements for prices and credit terms, as well as servicing of all facilities sold, are also suggested to dealers here.

Events in Africa

In Egypt the Japanese are making great headway suddenly in capturing this Middle Eastern market. They will buy $35 million of Egyptian cotton in 1959 while Cairo will import capital goods under long-term credit. Japan also has broken a virtual monopoly of the Hungarians and the East Germans in supplying rolling stock. After a two-year lapse, France again is a major buyer of Egyptian cotton. Nasser will no longer depend on Russia to take his crops as the dumping by Soviet satellites of Egyptian cotton sent to Moscow in return for financial aid has taught Nasser a lesson about close economic ties with Khrushchev. Increased earnings from the Suez Canal will help to strengthen the new Egyptian-Syrian currency called the Arab dinar. Partial use of the $70 million of Egyptian and Suez Canal Co. funds released by the U. S. Treasury in 1958 will account for a substantial gain in imports from this country.

Favorable weather in British East Africa has meant good crops for coffee, cocoa, tea, sisal, timber and cotton in Kenya, Uganda and Tanganyika. Results of Commonwealth Ministers' Conference at Montreal will be particularly beneficial to these territories of East Africa. Despite the limited consuming public, dollars and sterling are available for increased purchases from the U. S.

Imports into the rapidly industrializing territory of French Equatorial Africa continue to rise sharply. As oil production expands and numerous exports increase, particularly fine wood products, exchange allocations for dollar imports will be opened more widely. One of the world's largest alumina plants is going up in French West Africa with British, Swiss, U. S., and French capital. Larger purchases of industrial equipment are a certainty for both these territories where current foreign investment projects exceed $600 million.

Exporters in U. S. are losing out in the Belgian Congo market because they are slow to adapt their supplies to Belgian Congo needs. In the past five years the U. S. slice of Congo's import trade fell from 23% to 17½%. Had the share been maintained during the rising trend of Congo imports, American sales would have jumped 35% to $100 million. Never short of dollars, the Congo is reducing tariffs on capital equipment and other goods. With the proper salesmanship, U. S. exporters can step up shipments substantially as the Congo's earning power expands further from European Common Market benefits. Belgian Congo will gain more from Euromart than any other colony at the expense of Asian, African and Latin American countries.

With settlement of copper strikes in the Federation of Rhodesia and Nyasaland and prices for the metal expected to be up for most of 1959, chances for greater dollar imports are excellent. One of the world's largest coffer dams, at Kariba, will be generating hydro-electric power by 1960. National income and living standards are gaining rapidly in the Federation.

Despite a slight fall-off in demand for consumer goods, in the Union of South Africa, business will continue on an even keel. Building will be stepped up but industry generally anticipates little improvement. Credit restrictions will be relaxed to keep business moving. The adverse trade gap, which widened to nearly $400 million in 1958, will be somewhat smaller as wool and metal prices

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How and Where U. S. Exporters Will Sell Overseas in 1959

recover part of the drop. Facilities for consumer import financing will be cut off and expenditures for capital equipment reduced to a minimum. Only a higher price for gold could stimulate import buying and this is impossible under the present U. S. Treasury policy.

As our country-by-country analysis approaches the Far East, it is again easy to see what dominates the thinking of these nations. They, too, are particularly unhappy about the linking of Asia's overseas colonies to Euromart. America's share of Far Eastern import trade remains static in most nations of this area and is declining in several countries where exchange shortages are acute. The U. S. has lost out completely to Japan and Western Europe in the automotive field and in the textile industry. Another decline of 5% in overall American exports to the Far East is foreseen for 1959 as expansion of U. S. foreign aid to the Colombo Plan nations is held unlikely.

India's Exports to U. S. A.

Prospects for India's exports to U. S. are much brighter. Markets for jute carpet backing and carpet wools are improving as low inventories here caused by the recession are being replenished. Tea consumption in U. S. will rise as result of a $3 million promotion campaign while higher manganese quotations also are predicted. Foreign capital is showing greater interest in India than any time in history under a new series of investment encouragement laws. The industrial potential will climb sharply in 1959 as German, Russian and U. S. steel plants near completion. India's imports from Europe and U. S. will reverse the downward trend of 1958.

Pakistan's import licensing policy will remain vertically intact despite the drastic drain on exchange reserves. Prices for exports of Pakistan's primary materials will strengthen. Inventories here of goods bought from Pakistan have been kept exceedingly low and will expand. Credit restrictions will be eased but price controls will remain. Numerous loans from the Export-Import Bank, World Bank, International Finance Corporation, Colombo Plan and International Cooperation Administration indicate a greater inflow of heavy equipment from U. S.

Economic comeback in Japan has been disappointing to businessmen there. The anticipated 5% gain in gross national product will not take the country out of the recession. But optimism prevails once again as steel orders are pouring in from all over the world. Trade with Communist China, which failed to blossom in 1958, is certain to take some strides because of low Japanese prices. Industry counts on a heavy increase in exports, especially to Latin America. Sizable credits to Philippines will help accomplish Nippon's aim of laying the groundwork there for large-scale trade. Japan also is eying a greater share of the Indian market and welcomes the recent liberalization of British quotas on Japanese goods. With Japan voluntarily limiting sales of textiles, toys, photographic equipment and other items in the U. S. because of tariff threats here, reduced Japanese earnings mean the American exporter cannot hope to regain the 1958 dip in orders from Japan.

Numerous opportunities exist in Singapore for farsighted American business to increase sales to this colony. Imports have skyrocketed in the past two years but the U. S. did not share in the gain. Gradual liberalization of dollar imports is taking place while there is no problem in importing relatively freely via Hong Kong. A rapid population growth of 4% annually provides a great number of new potential customers and wages are higher than in most of Southeast Asia. American exporters would do well to get their foot in the door before Singapore becomes internally independent in 1959.

Formosa's industry is benefiting from $35 million of capital investment by overseas Chinese businessmen in Southeast Asia, particularly from Indonesia. Formosa also will profit from huge U. S. and Colombo Plan aid allotments. This growing economy offers increasing markets for American exporters.

The new year finds the Philippines facing the worst financial crisis since the Republic became a nation. A deteriorating reserve position probably will force devaluation and wholesale decontrols. Gross mismanagement of the country's finances, abetted by political interference, is responsible for the government's greatest deficit spending spree in history. Customs revenues will be down another $20 million. The Philippines will direct more trade to Japan, which recently arranged long-term credits for Manila.

In Australia re-election of a private-enterprise government will prevent the future nationalization of industries by the Socialists. Reduced prices for wool and metals will be reflected in further tightening of import restrictions. But more imported goods will be licensed on the strength of lower prices rather than by country of origin. Although competitive items from the U. S. will find better markets, you must count on considerably greater Australian trade with the Communist countries—some on a semi-barter basis. Australian experts are hopeful that mainland China will make substantially larger purchases of wool. The Chinese have been Australia's best customer for wool for several years but Australian banks are extremely cautious in e[x]tending credits for the Chinese. Canberra will guarantee repatriation of foreign capital and earnings to encourage still more U. S. investment and licensee agreements.

As we come back to Latin America, there are other reasons evident why U. S. exports to our southern neighbors will drop the estimated 10%, as already mentioned, to about $3.8 billion. Washington's policy of higher tariffs and quotas on metals will, of course, impede shipments to Chile, Mexico, Peru and other Republics while the coffee-producing countries will earn less dollars from exports as African competition broadens.

Trading Clubs Affect Us

The continued expansion of regional trade areas, such as the Paris and Hague Clubs, also encourages the by-passing of U. S. goods in favor of European. Although the six European Common Market nations will being to favor African raw materials over Latin America in 1959 because of lower tariffs, the total impact will not be felt for at least five years. Moreover, there is no doubt that a European Free Trade Area or a similar organization eventually will be formed, probably in 1960.

At the same time the U. S. exporter in the Southeastern coastal region must be aware of the growing competition from the Gulf area which he is bound to face for his Latin American markets. The $77-million modernization of the New Orleans port and the $90-million Seaway under construction in that part of the Gulf, along with the $1-billion industrial development in the Baton Rouge-Mississippi River section, indicate the New Orleans-Mobile-Houston region is trying to grab a larger share of America's trade with the Latin Republics.

More Argentina Deterioration

In Argentina, the economic situation, which has been on the verge of disaster for more than two years, now is expected to deteriorate further in 1959. President Frondizi's oil exploration agreements with Russia and Western Allies amounting to nearly $400 million will not relieve the Argentine plight before 1962. Peso will continue to sag, undoubtedly beyond 100 to the dollar. Imports will be cut back more and drastic reduction of state employees will result in serious unemployment for the first time since World War II. With gold and exchange reserves exhausted, Argentina has the lowest coverage of notes in circulation of any country in the Western world. Export-Import Bank, International Monetary Fund and private U. S. banks will grant about $400 million in loans.

Uruguay's so-called "South American welfare state" deteriorated so rapidly within the past two years that it has been left practically without industry. Meat companies, as well as such foreign investors as International General Electric, have been completely taken over by the unions and Communists. With foreign meat producers now gone and the wool producer completely neglected, Uruguay has no alternative but to accept Soviet barter deals. Out of 1958 wool sales of $98 million, Russia accounted for all but $4 million. Trade with Eastern Europe will continue but on a smaller scale under the new government. A few new orders are coming through now in the U. S. The peso, which lost 300% of value in 1958, will regain some of its stature but economic woes will remain.

More stringent fiscal policies are slated for Chile in 1959. The sound business approach of the new Chilean Administration thoroughly impresses Washington. This is the best tonic the peso has had in years and better prospects fro Chilean copper prices, consumption and output portend a stronger economy. Moscow will negotiate for more purchases of Chilean copper products. Collection experience for U. S. exporters will continue to improve but volume of sales will be restricted. The new oil strike in Southern Chile will not be profitable for another year or two.

Brazil and Eastern Europe

A sharp rise in trade with Eastern Europe will mark Brazil's economy in 1959. The government will accept many of over 50 proposals now on hand for barter transactions with Iron Curtain countries. Coffee and cocoa will be the main products bartered. In 1958 these commodities were swapped for Czechoslovakian and Polish steel, railway equipment and ships as well as Russian oil. More triangular transactions are expected as bartered raw materials disappear behind the Iron Curtain. Deficit financing will remain, forcing the cruzeiro to sink even lower. Chances are the rate will touch 200 to dollar before 1960. Sporadic riots and disorders will continue but no political crisis is expected. Brazilian economy will be relatively unstable with the extent of progress depending on ability of the government to enforce credit restrictions. Imports from the U. S. will be curtailed in order to narrow the anticipated $300-million balance of payments deficit. Germany and Japan will increase investments while those by U. S. will be maintained at current level.

In Paraguay, surprisingly, there is another small market where imports from the U. S. have picked up recently. But majority of importers want long-term credit, although the recommendation is for no more than 120-day terms. The exchange system initiated a year ago has brought a substantial amount of stability. However, close ties to Argentina necessitate caution.

Bolivia still feels the sharp impact of Russian dumping of tin which cut 1958 exchange receipts sharply. Moreover, U. S. decision to place import restrictions on lead and zinc will lead to a 25% drop in Bolivian sales. Higher wages and runaway inflation will force the Government to fix another lower rate for the boliviano at around 12,000 to the dollar. Establishment of the Inter-American Development Bank, which Bolivia backs strongly, is the only answer to stepped-up purchases from U. S.

Peru's problem will be inflation. The Government has been forced to resort to borrowing to cover deficits of the last three years, thereby increasing money in circulation. The drop in prices of Peru's principal exports, plus the effect of U. S. quotas on lead and zinc, will impede progress. Continued decline in value of sol and higher duties will slow down Peru's ability to buy from abroad. Capacity to export expands but lack of markets and low prices for products hurt. The $200 million Toquepala copper development will not add to Peru's earnings until after 1960.

Another year of austerity is in the cards for Colombia. If coffee prices plummet much further, real hardship is in store for the economy. Present import level of around $23 million monthly will be maintained while exports will gain slightly. Inflationary pace will slow and the peso will remain steady while U. S. shippers will ease credit terms. The recently signed "little common market" with Ecuador, Panama and Venezuela will have slight effect.

Downward trend in Ecuador in almost all phases of economic activity will not be arrested unless prices for raw materials climb. Apprehension exists over the U. S. market for Ecuadorean bananas. Contraband textiles from across the Colombian border harm domestic industry. Dollar balances will not recover 1958 losses and caution is the watchword.

Venezuela's sharp reduction in volume of foreign capital entering the nonpetroleum industries will continue at least through first half of 1959. Investors are waiting for the economic and political situation to clear. Drain on dollar reserves will be partly offset by rising oil exports—now heading toward 1957 peaks.

Venezuelan Congress is expected to approve the $225 million credit negotiated with U. S. commercial banks to tide the Government over remainder of fiscal year. This will reassure foreign investors now waiting to start ventures. But new Government will demand higher royalties on oil investments probably on a 70% to 30% basis. Business will pick up in second half of year once the influx of foreign capital resumes. Otherwise, import restrictions are inevitable in order to halt the drain on dollar holdings. Regardless, American exporters will sell about 10% less than in 1958. But Venezuela again will be the best Latin American customer and third largest in world after Canada and England.

In Central America, the launching of a broad program in Panama to attract American and European manufacturers to the Colon Free Zone will create more jobs for Panamanian workers and bolster the economy in general. The Free Zone will construct several manufacturing and assembling plants to users' specifications in 1959 with no capital investment required by lessee. Canal traffic also will rise in 1959 to stimulate business. Although Panama is a relatively small market, the consumer potential is growing steadily and aggressive sales here will be rewarding.

Costa Rica's currency will not be devalued in order to stimulate exports as rumored. The Republic has not been adversely affected by low coffee prices and the favorable trade balance is larger than in years as exports have been revived. Government will pass laws to lure U. S. capital as the Administration hopes to become chief distributing center for the new Central American common market. Negotiations will begin with Washington to arrange a double taxation treaty. Export-Import Bank and Development Loan Fund will provide $10 million while World Bank loans will bolster power development. U. S. exporters should not overlook this gradually growing market.

The drain on exchange balances in Honduras will continue as financial and labor problems confront the Government. More dollar aid is the Republic's only salvation. Business activity is down as the two American fruit companies lay off workers. A recent World Bank credit of $5.5 million for highway development will allow purchase of U. S. construction equipment. Additional tax-concession decrees to attract foreign capital can be expected in 1959.

El Salvador's growing unemployment is behind the series of Government loans and United Nations aid to increase the country's output. Japanese and Swiss are making inroads in this market while imports on dollar goods are being tightened.

Progress in Guatemala continues to be extremely slow under the five-year economic development plan. Oil drilling and other avenues to earn exchange have been disappointing to date. The Government will limit importation of many items, including foodstuffs, textiles, cosmetics and vehicles.

The forecast for Mexico is for optimistic business conditions throughout the entire year. Mexico is in an excellent position to benefit from the economic upsurge in the U. S. New Government contemplates heavy spending for public projects while farm prospects are bright. Tourism, which has emerged as the main prop to the economy with $500 million in annual earnings, will get even more promotion from the new Administration. Chief problems are inflation, labor and unrest from wage demands. Dollar income will be cut by about $70 million from U. S. lead and zinc quotas. Chances are good peso will not be devalued as gold and exchange reserves are sufficient and free rate is strong.

* * *

Numerous problems have arisen during the first year of the new Federation of West Indies but astute management keeps the upper hand. Trade will continue to be diverted more and more away from the sterling area. Exchange restrictions on dollar imports are being relaxed steadily. Trinidad's asphalt will be in greater demand as U. S. Federal aand State highway programs rise $1 billion to $6.5 billion and total construction outlays here climb 7% to $52.3 billion. Increase in world trade—now over $200 billion—will also aid Trinidad since it is one of the Western Hemisphere's important refueling stations for shipping. Outlook for aluminum is much more cheerful, which, of course, means U. S. purchases of Jamaica bauxite will be up. Dollar receipts will gain from more tourism in all the Federation Islands and from direct investment by American companies in Jamaica where about 100 U. S. firms started operations within the past year. Sugar sales to U. S. also will increase at expense of Cuba.

In Puerto Rico the 3% drop in

imports from the mainland in 1958 will be more than offset in 1959. Purchases from this country will exceed $626 million. U. S. shipments of pharmaceuticals, up 40% this year, will expand further along with dairy products, cigarettes, tires and tubes, building materials and textiles. Imports of European cars have jumped incredibly to a point where 41% of new registrations are from Europe. This is unprecedented under an American flag. Puerto Rico's "Operation Bootstrap" of tax concessions to U. S. industry will continue to provide the springboard for stepped-up business activity.

Our Exports and Imports

In 1959 the anticipated rise in American shipments abroad will be in the capital equipment and construction machinery lines. On the other hand, the bulk of the growth in imports will be represented by the continually expanding inflow of such consumer goods as vehicles, textiles, leather products and all kinds of gift items. But both exports and imports are bound to be stimulated generally by the many steps being taken by Washington to increase the reserve liquidity of the Western world and to aid the underdeveloped countries.

These include the Eisenhower-sponsored action by the International Monetary Fund and World Bank to raise quotas by 50% as well as more U. S. credits to friendly nations by the Export-Import Bank and the Development Loan Fund. Other moves by Washington that will give a lift to world trade are the decisions to take a more liberal attitude toward stabilization of world commodity prices and to support the Inter-American Bank. The U. S. also will back a Latin American common market but will not join it.

Although the European Economic Community was the main force behind the Administration's successful drive in getting a four-year renewal of the Reciprocal Trade Agreements Act, the U. S. position will now be strengthened for negotiating lower tariffs with all regions where common market areas are being formulated. While there will be few benefits in 1959 resulting from the new trade bill, the foundation has been laid for expansion of U. S. foreign trade through the President's authority to reduce tariffs until 1961.

But a careful investigation of the 51 markets analyzed reveals there are many opportunities for the U. S. exporter in 1959. Of the countries studied, U. S. commercial exports will be up for 36 and down for 15, indicating there are good profits to be made if you know "how and where to sell overseas."

Surrey Oil & Gas Co. Stock Offered at $3

Peter Morgan & Co. of New York City, on Jan. 27 publicly offered 300,000 shares of common stock (par $1) of Surrey Oil & Gas Corp. at $3 per share. These securities are offered as a speculation.

The net proceeds will be used to retire current liabilities, to drill a well on the B. W. Evans property in Louisiana; to enlarge a secondary recovery program on the Portwood lease; and to be used as working capital, to defray costs of possible acquisitions, drilling completions, etc.

The Surrey Company was incorporated in Delaware on Jan. 30, 1957, for the primary purpose of engaging in the exploration, acquisition, development and operating of oil and gas properties and prospects. Its principal office is located at 601 Meadows Building, Dallas, Texas.

The company is qualified to transact business in the States of Texas, Louisiana and Oklahoma.

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dustry, will take more than $5 billion worth of electronics in 1959. This compares with $4.5 billion in 1958 and $4.3 billion in 1957.

The year 1959, likely to be the best for sales to the military, will see gains largely due to the substantially increased production of many missiles, combined with continued high sales of manned aircraft. Business will be up despite cutbacks in some missile and aircraft contracts.

At least $1.9 million will go for missile electronics. Although many missiles will be in production in 1959, the full impact of the missile increase will not be translated into production until 1960 or later.

A Gigantic Mailing Job

One of the biggest mailings the Post Office has handled recently was that for Dun & Bradstreet, Inc., the national mercantile credit agency, when its annual request for current financial statements was mailed to 3,000,000 separate businesses listed in the credit agency's "Reference Book" early this year.

For instance, H. Harper, District Manager of the firm's New York office, stated that in the New York Trading area alone 107,187 changes were made in the 1958 Reference Book of Credit Listings of Businesses; 29,021 new businesses were added; 34,633 were deleted and 43,533 changes in ratings of continuing businesses.

It is also interesting to note that over 228,100 names, as listed in the company's Credit Reference Book for the United States and Canada, are located in the New York trading area.

Orders for Steel Likened to "Stampede"

The drive to rebuild steel inventories is turning into a stampede, according to the "Iron Age," national metalworking weekly.

A Pittsburgh mill, which just several weeks ago was pleading with its customers to get their orders in, stated that "orders are just swamping us." Right now, it was said, new business is running ahead of the mill's ability to produce.

"Iron Age" said further that steel users are playing both ends against the middle in their efforts to stock up against a possible steel strike at mid-year. They are ordering steel for second quarter delivery and at the same time placing orders for first quarter. As a result, mill order books are filling up in both directions.

"May is the key month," according to the trade publication. "Customers are trying to book tonnage there and are working backwards through April and March. The outlook is for plates, wide-flange beams, and all flat-rolled products—sheets, strip, and coated sheets—to be booked to capacity."

At the same time, the metalworking magazine said that many companies are fighting an uphill battle in their attempts to rebuild inventories. While they are taking in more steel, they also are using more because their own business has improved. Others are getting a late start from an extremely low inventory position.

According to report, the auto companies are aiming to contract for enough steel to last them through the current model year and give them a start on the 1960 models. They also have told their suppliers to stock up on steel on the same basis. Where suppliers are not anxious to build inventory, the automakers are guaranteeing them they will not be stuck with a lot of steel if there is no strike.

The metalworking weekly said that of 31 major steel buyers polled on the steel labor outlook all but three believe a strike is sure to come. Consensus is it will last between four and 12 weeks.

"There is also practically no doubt among steel buyers that higher prices will follow on the heels of a new steel labor contract," said "Iron Age." "Their estimates vary from $4 to $10 a ton," at least part of which will have to be absorbed by the customers.

Glass Workers' Strike Cuts Auto Output

United States passenger car production was scheduled for a 5% decline in the week ended Jan. 23, "Ward's Automotive Report," said, and will drop an additional 7% unless Chrysler Corp. returns to work.

The effects of a Pittsburgh Plate Glass Co. strike limited Chrysler activity to scattered two- three- and four-day production "Ward's" said, adding that all of the corporation's car-making plants are scheduled to be idle because of the dispute. Dodge truck output in Detroit has not yet been affected.

"Ward's" estimated the week's car production at 129,599 units compared to 135,953 the previous week and 107,495 in the corresponding week a year ago.

"Chrysler's recent limited operations and the prospect of a complete shutdown," said "Ward's," "will keep the industry from accomplishing its January production goal of 595,000 automobiles. At this time, it appears the figure will approximate 550,000 units, or 7.5% fewer than the original target."

Viewing the truck scene, the statistical publication reported that January volume will reach the 97,000 mark forecast at the beginning of the month.

The recent week's truck total was estimated at 24,597 units, 9% higher than last week's 22,577. The increase, said "Ward's," resulted from a resumption of operations by International Harvester, which ended a nine-week-old strike.

Steel Buyers Rush to Replenish Inventories

Demand for steel is rising rapidly as consumers strive to replenish low inventories, "Steel" magazine reported Jan. 26.

Fabricators who let their stockpiles decline last year are suddenly realizing that they don't have enough metal on hand to sustain high production.

They are scrambling to get promises of deliveries of cold-rolled sheets within eight weeks. For steelmakers, it is a refreshing change, the national metalworking weekly commented.

Steel shipments have exceeded consumption by a small margin in the last two months, but if the United Steelworkers struck tomorrow, they would catch consumers in their worst inventory position in about eight years.

Demand for light flat-rolled products is mounting, with cold-rolled galvanized and aluminum coated sheets in tightest supply. It is rumored that major steekmakers may put cold-rolled sheets on allocation during the second quarter, but company spokesmen say such talk is premature.

Bars usually follow sheets as a hard-to-get item, but many observers think plates will be next. Railroads are beginning to repair and replace old equipment, and reversal of the Memphis Court decision has stimulated line pipe demand.

Last week, steelmaking operations climbed half a point to 75% of capacity. Production was about 2,123,000 net tons of steel for ingots and castings. Rates in nine out of 12 districts were up or held.

"Steel's" price composite on No. 1 heavy melting scrap advanced for the second straight week, rising another 34 cents to $40.67 a gross ton.

Steel Production to Rise Sharply

The American Iron and Steel Institute announced that the operating rate of steel companies will average *137.7% of steel capacity for the week beginning Jan. 26, equivalent to 2,212,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *128% of capacity, and 2,056,000 tons a week ago.

Output for the week beginning Jan. 26 is equal to about 78.1% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons compared with actual production of 72.6% the week before.

For the like week a month ago the rate was 128.1% and production 2,058,000 tons. A year ago the actual weekly production was placed at 1,459,000 tons or 90.8%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Exceeds Previous Week's Total

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 24, was estimated at 13,394,000,000 kwh., according to the Edison Electric Institute. Output the past week was above the level of the preceding week.

For the week ended Jan. 24 output increased by 70,000,000 kwh. over that of the previous week, and showed a gain of 995,000,000 kwh. above that of the comparable 1958 week.

Carloadings Up 6.6% Above Previous Week

Loading of revenue freight for the week ended Jan. 17, totaled 586,254 cars, the Association of American Railroads announced, a gain of 36,164 cars or 6.6% above the preceding week. The total for the latest week reflected an increase of 13,368 cars or 2.3% above the corresponding week in 1958, but a decrease of 71,015 cars or 10.8% below the corresponding week in 1957.

Lumber Shipments Show 11% Increase

Lumber shipments of 474 reporting mills in the week ended Jan. 17 were 4.5% above production, according to the "National Lumber Trade Barometer." In the week of Jan. 17 new orders were 7.5% above production. However, shipments in that period were 11% above the total for the week of Jan. 10, and unfilled orders amounted to 39% of stocks.

For the Jan. 17 week, as compared with the preceding week, production of reporting mills was 16.9% higher; shipments were 11% above; new orders were 21.7% above. Compared with the corresponding week in 1958, production of reporting mills in the week ended Jan. 17 was 2.6% below; shipments were 2.9% above; and new orders were 5.5% above.

Business Failures Up Slightly

Commercial and industrial failures edged up to 296 in the week ended Jan. 22 from 294 in the preceding week, reported Dun & Bradstreet, Inc. Casualties were less numerous than in the similar week last year when 333 occurred. The total for the same week in 1957 was 256. Twenty-three per cent fewer concerns failed than in prewar 1939; the total was 385 in the comparable week of that year.

Failures involving liabilities of $5,000 or more increased slightly to 266 from 258 in the previous week but remained below the 271 a year ago. A decline, on the other hand, brought small casualties, those with liabilities under $5,000, down to 30 from 36 last week and 62 in the corresponding week of 1958. Liabilities exceeded $100,000 for 37 of the week's failures as against 33 in the previous week.

All industry and trade groups had heavier tolls during the week except retailing where casualties fell to 131 from 161. Among manufacturers, failures rose to 61 from 52, among wholesalers to 32 from 28, among construction contractors to 52 from 38, and among commercial service to 20 from 15. More manufacturers succumbed than last year, while construction and service tolls remained about even with last year. All of the decline from the 1958 level occurred in retailing and wholesaling.

Four regions accounted for all of the week-to-week upturn, with marked increases reported in the Pacific States, up to 54 from 38 a week ago, and in the West North Central, up to 23 from six. In contrast, four regions had lower tolls and one had no change. Middle Atlantic casualties declined to 116 from 128, East North Central to 37 from 51, while the South Atlantic dipped to 23 from 26. Trends from last year were mixed; five regions reported fewer businesses failing and four regions suffered higher tolls.

Business Failures in 1958 Set Postwar High

Although dipping 3% in December to 1,082, business failures in the year 1958 reached a total of 14,964, a new postwar high, and involved liabilities of $728 million, Dun & Bradstreet reports. The recession's impact was felt mainly in the first half of the year when casualties climbed 14% above the comparable period of 1957; in the last six months, however, the increase slackened to 4%.

In relation to the operating business population, the rate of failure remained moderate. Concerns failed in 1958 at a rate of 56 per 10,000 listed enterprises. This compared with 70 per 10,000 in prewar 1939 and was little more than a third the record of 154 in 1932.

Manufacturers and wholesalers suffered the most noticeable increases during 1958. Iron and steel manufacturing failures were half again as numerous as in 1957, while tolls in the leather and

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printing and publishing industries surged up some 30%. The over-all retail rise amounted to 9% but varied widely, from a slight 2-3% in food, drug, and apparel stores to 12% in restaurants and 24% in the automotive trade.

In contrast to the general upward trend, lower mortality was noted in one major manufacturing industry, textiles and apparel, and in one retail line, appliances. Also, the picture brightened appreciably in construction where fewer subcontractors and heavy construction contractors failed, almost offsetting the continued rise among general builders.

Wholesale Food Price Index Shows Slight Rise

Although the Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., rose slightly from the prior week, it was down moderately from the comparable date a year ago. The index moved up 1.1% on Jan. 20 to $6.23 from $6.16 a week earlier, but was 4.5% below last year's $6.52.

Contributing toward the week-to-week increase were higher prices on corn, rye, hams, butter, cheese, cottonseed oil, cocoa, and eggs. Down in price were flour, wheat, barley, lard, sugar, and coffee.

The Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Up Moderately

Higher prices on most grains, flour, coffee, steers, and steel scrap helped boost the general commodity price level this week. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., rose to 275.18 on Jan. 26 from 274.51 a week earlier. It compared with 276.65 on the comparable date a year ago.

Bad weather cut down receipts of wheat in terminal markets and buying picked up during the week; this resulted in a moderate rise in wheat prices. Influenced by increased purchases and light offerings, corn prices moved up appreciably. There was a noticeable rise in rye prices as orders expanded and supplies were reduced.

Continued good processor demand and the large amount of soybeans under price support resulted in a noticeable increase in soybean prices this week. Wholesalers reported a moderate gain in oats prices nad buying was sustained at the level of the prior week.

Domestic buying of flour picked up at the end of the week and prices advanced somewhat; export sales were close to those of a week earlier. Sales of wheat and flour under the International Wheat Agreement program amounted to 2,070,000 bushels during the week ended Jan. 20. This boosted the total for the season to date to 59.1 million bushels, compared with 67.7 million a year ago.

Despite a sizable purchase by Pakistan, exports of rice lagged this week; distribution in domestic channels expanded and prices held steady. There was a substantial rise in coffee buying and prices moved up somewhat. Cocoa prices declined slightly on a decrease in trading throughout most of the week. Warehouse stocks in New York rose somewhat during the week to 60,033 bags; stocks a year ago amounted to 160,735 bags.

Sugar trading slipped and stocks expanded somewhat, resulting in a slight decline in prices.

Cattle receipts in Chicago were down noticeably from the prior week, but trading was steady; prices on steers moved up fractionally. The salable supply of hogs fell moderately, but buying matched that of the preceding week; hog prices were slightly lower. Lamb prices moved up as trading improved.

A report on a larger than expected increase in cotton pledged to the government loan stimulated cotton trading at the end of the week, and prices advanced appreciably. Exports of cotton in the week ended Tuesday were estimated by the New York Cotton Exchange Service Bureau at 75,000 bales, compared with 130,000 in the comparable week a year ago.

Consumer Buying Continues at Steady Pace

Continued extensive clearance sales promotions offset the effects of bad weather in many areas holding retail trade in the week ended Jan. 21 close to that of the prior week, and over-all consumer buying was up slightly from a year ago. Best-sellers were women's coats, furniture, floor coverings and linens. According to spot reports, sales of new passenger cars matched those of a week earlier, and moderate year-to-year gains were maintained.

The total dollar volume of retail trade in the week under review was unchanged to 4% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: Pacific Coast +2 to +6; Middle Atlantic and South Atlantic +1 to +5; East South Central and Mountain 0 to +4; East North Central —1 to +3; West North Central and West South Central —3 to +1; New England —5 to —1.

Purchases of women's coats climbed noticeably over a year ago and volume in lingerie and dresses showed moderate increases; in contrast, interest in women's suits and sportswear dipped moderately from the similar 1958 week. Increased buying of men's suits and topcoats boosted over-all sales of men's apparel slightly over last year. Men's stores reported moderate declines in the call for sportswear and slacks. There were slight year-to-year decreases in purchases of boys' clothing, especially sports shirts and sports jackets.

There were substantial gains from the prior week in bedroom sets and upholstered living room chairs boosting total furniture sales appreciably over a year ago. "White Sales" continued to help sales of linens exceed those of last year, but interest in draperies was sluggish. The call for floor coverings was up noticeably from the comparable 1958 week. Appliance dealers reported moderate gains in radios, television sets, lamps, dishwashers, and refrigerators.

Housewives stepped up their buying of frozen foods, canned vegetables, baked goods and some dairy products, while interest in fresh meat and fresh produce sagged. Some retail stocks of canned goods and frozen foods were limited.

Wholesalers reported a better-than-expected increase in orders for children's apparel this week and volume moderately exceeded that of a year ago; best-sellers were girls' Spring dresses and skirts and boys' slacks and sportswear. Low stocks at retail encouraged buyers to step up their orders for women's fashion accessories, especially handbags, gloves, and jewelry. Interest in women's Spring dresses, suits, and coats rose appreciably during the week. Increased buying of neckwear, dress shirts and socks boosted over-all men's volume at wholesale slightly over last year.

There was a continued rise in wholesale furniture orders this week in New York and most Southern markets and substantial year-to-year gains prevailed, especially in case goods and upholstered merchandise. Purchases of floor coverings climbed over a year ago and sales of linens and draperies matched those of the comparable 1958 period. Volume in lamps and television sets moved up noticeably over the prior week, and there were slight gains in automatic laundry equipment, air conditioners and refrigerators.

Most textile mills reported further gains in trading in industrial fabrics and man-made fibers this week, and sales were over a year ago. Trading in woolens and worsteds moved up moderately from a week earlier, but interest in carpet wool remained sluggish. Increases in drills nad sheetings offset declines in print cloths boosting over-all bookings in cotton gray goods somewhat over the prior week. Mid-Atlantic dyers and finishers reported slight gains in incoming orders and expect an upsurge in the coming weeks.

Over-all food buying at wholesale was sustained at a high level this week. There was a marked rise in the call for canned citrus fruits and juices and interest in frozen juice concentrates expanded appreciably. Purchases of most dairy products, poultry and fresh meat matched those of the prior week and the buying of rice, flour, sugar, and coffee moved up somewhat.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 17, advanced 5% above the like period last year. In the preceding week, Jan. 10, an increase of 4% was reported. For the four weeks ended Jan. 17 a gain of 12% was registered.

According to the Federal Reserve Bank of New York department store sales in New York City for the week ended Jan. 17 showed no change from that of the like period last year. In the preceding week, Jan 10, a decrease of 3% was reported. For the four weeks ended Jan. 17, an increase of 5% was noted over the volume in the corresponding period in 1958.

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Economic Profile of America—1959

ment as a practical matter. And with wage rates going up, and so on, I think we can only be optimistic on consumer spending.

GNP and Labor Uncertainty

By way of summary there should be approximately a $30 billion increase in GNP, which will be a very good year indeed. Now, lest you think that this is unalloyed optimism, I would point out just two things. First of all, this increase to $470 billion really can't be looked at except, coincidentally, in relation to last year, when it was $437 billion, because the fact of the matter is that in the fourth quarter of 1958 we had a prodigious jump to $453 billion of output which compares with only $425 billion annual rate six months previous. This rate of progression is not going to continue. We can expect an increase of about $17 billion in relation to the present level, a much lower rate of progression.

A second uncertainty relates to business sentiment. We face a period of acute labor problems. For example, the odds favor a strike in the steel industry. How long the strike is going to be cannot be forecast; nor can one state what effect this would have on the cost structure. If Labor and Capital are able to get together, we should, by all indications, have a very good year. If the labor groups attempt to gain undue advantages at the expense of other segments of the population such as workers in services and the trades and to the detriment of the investing public and the aged, then the present optimistic forecasts may well require downward revision.

The Foreign Situation

Next, let's look at the foreign situation. We must recognize the plan, hard facts: That we face an insatiable, ruthless foe that is dedicated to our destruction; and he is zealous on his behalf. We must face the fact that our country is in grave danger. Let's not even discuss the possibility (we hope a remote one) of atomic war. If this were to occur, there would be nothing to talk about. The probability is that the cold war characterized by economic and ideological conflict will continue. Among other things, this will mean a continued battle between East and West for the uncommitted nations of Africa and Asia. Don't underestimate the importance of these countries.

With regard to the economic aspects, two interesting developments have occurred. First, there has been an outflow of gold from the United States. Second, over the past year our exports have been declining, and imports have been going up. It is significant to note that the major rise in imports has been in the very area where we considered ourselves impregnable, namely, finished goods. We are in the process of pricing ourselves out of the world market. The old economic formula still applies — you cannot sell something for less than it costs you. We have the ability and the knowhow, but Japan and the European countries are rapidly improving their technology and degree of mechanization — and their wage rates are considerably lower.

On the other hand, there is a partially offsetting factor — the standard of living in these countries has been going up. Their demands for goods are increasing. If we hold down our wage increases to actual increases in productivity, we possibly shall be able to compete for world markets. Some American companies are "hedging" their position by having foreign subsidiaries.

The Bond Market

Now, let's briefly look at the third aspect, the bond market and the money market. The bond market has continued to decline. It is around the lowest level in terms of price in about 25 years. Putting it another way, yields have moved up. By way of contrast with 1946, when many government bonds were yielding a little above 2%, the government recently brought out a 21-year, 4% bond, now selling below 99. No matter how low the bond market goes, it seems to continue to go lower; putting it another way, interest rates have been rising. Our prediction is that we have had the great bulk of the decline. However, the bond market is on the defensive, and we look for stability at best, or possibly moderately lower prices.

It's important to realize that two major conflicting forces are operative today so far as money and credit policies are concerned. One is that the Federal Reserve is fighting inflation. They think they can do so by tightening money and credit. It would appear that they are fighting the wrong kind of inflation, because we are having an inflation resulting from increases in the cost structure of industry, which, of course, means that prices must increase in the wake of higher labor costs. In any event, the "Fed" is espousing mildly-repressive policies, and I think it is quite possible that in the near future they might raise the discount rate again, which will be a mild depressant, tightening money a bit. It is not as drastic as some of the other powers they could use. On the other hand, the Treasury Department, which is the fiscal agent of our government, has a very vexing and difficult problem. With a deficit in this fiscal year of $10-$12 billion, they have a lot of new financing to do; and they also have billions of dollars of bonds to refund. They are competing in the bond market with private borrowers—and it is getting tougher all the time. And what is going to happen when these 2½% and 2¾% bonds mature, and they have to put a 3¾% rate on new short-term paper and a 4% rate for longer-term bonds? Add the increased charges to a debt service that already exceeds $8 billion yearly. This is something we have to watch. But we do find the fundamental element that the "Fed" is on the side of somewhat tightening up credit, while the Treasury is on the other side of the fence. The result is pretty nearly a stand-off.

The Stock Market Outlook

Let's survey the stock market. I recently read the "Fortune Magazine" forecast for the economy in 1959. They presented a learned, lengthy and erudite discussion covering all aspects of the economy, and they propounded their views with great positiveness until it came to the stock market. That was at the end. It was one sentence. It said: "The Stock Market—It will, as the elder Morgan once observed, fluctuate."

Now, I will stick out my neck a bit more than that. A year ago the Dow-Jones Industrial Averages were around 440 and had made the low only a few months previous. They are now about 595. At that time we stated: "The market, at the present level of around 440, faces no important downside risks. It is in an area of reasonable evaluation and is attractive for long-term purchase. We think that the recent low of 420 is likely to stand on the DOW." We ended by saying that the year would end on a much better note than it started.

The situation today may be somewhat the converse of last year. We started 1958 in a declining business trend, but the stock market was moving up. Our forecast for this year is that the market will fluctuate within a trading range bounded by 8 to 10% on either side of present levels. At present, it would appear that we may be moderately closer to the high than to the possible low. However, we do not see a major decline developing; we might well see a rather sharp "shake - out" of relatively - short duration occurring this spring. It would provide a favorable buying opportunity. The long-term trend of the market is clearly upward.

Scans Major Market Factors

The component elements of the market fall into two generic categories. The first are what we call market factors, and the second are intrinsic value factors. Let's first look at the four major market factors. One has been the discounting function of the market. The market always sells on the expectation of what is going to be. If you wait until you read the good news in your newspaper you are too late. Smart people have already bought. The market has been right in moving up and discounting business improvement this year. However, the market doesn't discount the same thing twice. This market has moved up faster and further than markets normally do. Therefore, business and earnings must improve to justify present stock levels. If the business recovery proves to be disappointing, present optimistic attitudes will shift, and the market would react.

Second, the American people are now recognizing that "built-in inflation" will continue. We live today in a welfare state. It appears that government spending will continue up, as will wage increases in excess of gains in worker productivity. Result—continued creeping inflation. The public realizes that the dollar will depreciate in value. This explains why investors, both individual and institutional, are putting more emphasis on common stocks, and why they are reluctant to buy bonds, irrespective of how cheap they may seem temporarily.

The third element is confidence in the future growth of population and in our economy. Incomes have been going up, and our technology has been improving. New industries and markets are coming into being. The odds are that this will continue, and the disposable income of individuals and our standard of living will continue to go up.

The fourth factor relates to supply and demand. Institutional funds in the United States have increased at such a prodigious rate that it is unbelievable. The mutual funds now have $13½ billion in assets, and the experts are predicting $25 and $30 billion in a short period of years. The funds are selling about $2½ billion a year of their shares, and some two-thirds of this is invested in stocks. The private pension funds have many billions of assets and are growing rapidly. An increasing percentage of their monies are being invested in equities. The supply of stocks has increased in lesser degree. Over the past few years almost 70% of total of new corporation financing has been done through the medium of bonds. Interest on bonds is deductible for tax purposes, and thus the carrying cost is perhaps only half that of common stocks.

Intrinsic Value Factors

Let us now consider the intrinsic value factors. Corporate earnings are trending up. The direction of earnings is more important than the level of earnings. We project an earnings increase of more than 22%. Net profits in 1959 may approximate $22 billion compared with around $18 billion in 1958. The government, in its budget, forecasts a 30% increase in corporation earnings.

Second, as to price-earnings relationships, i.e., the number of times prices are capitalizing earnings—this is at an historically-high relationship. Stocks are selling at about 18-19 times last year's earnings, which appears high. However, we must consider that earnings will be materially higher in 1959. Thus prices are only around 15 times projected earnings. Also, the quality of earnings has been moving up. Corporations have been reducing their break-even points once again; and if the benefits of this are not taken away as a result of important labor fights, the investors can enjoy greater confidence in the maintenance of earning power and dividends. In addition, stocks are not at excessive multiples of 10-year average earnings.

Another fortifying factor is the "cash flow" of American industry. The depreciation cash "throw-off" is now around $22 billion annually, up sharply over the past five years.

Dividends will be good — they will continue high. They increased slightly last year in the face of the business and earnings decline. Further gains are in prospect.

Summary

So, by way of summary, when one analyzes the stock market picture, he must concede that stocks are at a high level based on a purely statistical approach. But the probabilities are they are going to go still higher over the longer term because of these other intangible forces that are operating in our economy and which are likely to continue operative. In terms of a one-year forecast, the conflicting elements are in rough balance and should result in a trading range for the market.

Now, within that trading range, we must recognize that we have been having a market of stocks rather than a stock market. In other words, the market has been very selective. Some stocks have gone up; others have gone down. It is very interesting to note that while the Averages recently have attained all-time highs, more than 75% of the stocks on the New York Stock Exchange are selling below their 1955-57 highs.

In conclusion, this is not the time to increase risk, but neither is it the time for the long-term investor to discontinue policies of gradually accumulating sound values in carefully-selected issues of proven quality.

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News About Banks and Bankers

Bank of Fairbury, effective Jan. 2).

* * *

Kenneth E. Wrenn was elected to the Board of Directors, Walter H. Ehrmann was elected Executive Vice-President at each of the three Pullman Group Banks, Jan. 15.

The three Banks are: **Pullman Trust & Savings Bank, Chicago, Ill., Standard State Bank, Chicago, Ill.,** and **State Bank of Blue Island, Blue Island, Ill.**

Other appointments included James A. Bancroft who was elected to the board of directors at Pullman Bank, and Hilda H. Kollmann and Joseph M. Long who became trust officers at State Bank of Blue Island.

Mr. Wrenn, Vice-President of the Consumers Banking Division, joined the Pullman organization in 1947. He was previously with the **Terminal National Bank.**

Mr. Ehrmann is a member of the board of directors of each of the three Pullman Group Banks.

Miss Kollman is Vice-President, Cashier and Director at State Bank of Blue Island.

Mr. Long is Secretary and Director at State Bank of Blue Island; Secretary, Vice-President, and trust officer at Pullman Bank; Secretary at Standard State Bank.

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Victor W. Klein was elected to the Board of Directors of **The Michigan Bank, Detroit, Mich.,** at the annual meeting of the stockholders Jan. 20, John C. Hay, President announced.

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Genesee Merchants Bank & Trust Co., Flint, Mich., Peoples State Bank of Flushing, Flushing, Mich., First State & Savings Bank, Flushing, Mich., and **State Bank of Ortonville, Ortonville, Mich.,** consolidated under charter and title of Genesee Merchants Bank & Trust Co.

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The Board of Directors of the **First National Bank of Omaha, Omaha, Neb.,** announced the promotion on Jan. 13, of Arthur J. Menzies to Cashier.

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First National Bank in St. Louis, Mo., on Jan. 13, according to William A. McDonnell, Chairman of the Board, elected two new Directors.

The new Directors are George W. Brown and Erwin P. Stupp. The new Directors were elected to fill vacancies created by the death of John N. Marshall, and the resignation of M. Weldon Rogers.

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The new President of **City National Bank & Trust Company, Kansas City, Mo.,** is R. Crosby Kemper, Jr., who was elected Jan. 13. He succeeds his father, Rufus Crosby Kemper, who will continue as Chairman of the Board.

The new President is a third generation member of a family prominent in Kansas City banking and financial circles. He joined the City National staff in February, 1950.

Mr. Kemper is a director of **Central Bank of Kansas City.**

A. F. Stepp and Clair H. Schroeder were advanced from Assistant Vice-Presidents to Vice-Presidents.

The title of F. Phillips Giltner, Vice-President and Assistant to the President, has been changed to Vice-President and Assistant to the Chairman.

Mr. Stepp has been in the bank's bond department since 1945. Mr. Schroeder came to City National in 1945.

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Jack W. Dorhauer was elected Assistant Vice-President of **Bank of St. Louis, St. Louis, Mo.,** at the Bank's annual board of directors meeting, Jan. 15. Mr. Dorhauer is manager of loan operations for the Bank of St. Louis, a position he has occupied since July, 1953.

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The appointment of 12 new officers of **St. Louis Union Trust Co., St. Louis, Mo.,** has been announced by David R. Calhoun, President.

They are: Norbert F. Amico, Elmer F. Morice, W. C. Brown, Jr., Walter Kuelper, M. R. Scherman, J. Marion Engler, L. G. Newcomb, A. H. Krekel, John E. Woltemade, H. E. Anderson, A. H. Schulte and Lin D. Ham.

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On July 23, 1958, the stockholders of the **Trust Company of Georgia, Atlanta, Ga.,** approved a stock split of 10 for 1, increasing the shares from 40,900 to 409,000 and reducing par value from $100 to $10. In December, $4,690,000 was transferred from undivided profits to surplus, increasing the surplus to $11,000,000. Regular dividends of 65 cents per share quarterly were declared on the stock. This provides an annual dividend of $2.60 per share and increases the total dividends paid each year by $163,600.

Following the stockholders meeting, major changes in the management of the Trust Company were voted by the Board of Directors. Charles E. Thwaite, Jr., President was elevated to Chairman of the Board of Directors, replacing John A. Sibley, Mr. Sibley remains on the Board as Chairman of the Executvie Committee.

William S. Woods, Executive Vice-President for the past two years, was named Vice-Chairman of the Board of Directors.

George S. Craft, Senior Vice-President in charge of the banking division of the Atlanta area, was named President of the bank, and Director.

Mr. Thwaite, the new Chairman, has been associated with the Trust Company for 25 years. He started his banking career with **The First National Bank and Trust Company in Macon, Ga.,** a Trust Company affiliate. He joined the Trust Company in 1939 and the next year was named Vice-President of **The First National Bank and Trust Company of Augusta, Ga.,** another affiliate. From 1946 to 1948, he was Vice-President of Trust Company of Georgia and Trust Company of Georgia Associates. In 1948, Mr. Thwaite was elected President of **Fourth National Bank, Columbus, Ga.,** an affiliate and in 1957 came to the Trust Company as President and Director.

Mr. Woods, who now becomes Vice-Chairman of the Board, has been with the bank for 30 years. He was named President of Trust Company of Georgia Associates in 1952 and Executive Vice-President of Trust Company of Georgia in early 1957.

Mr. Craft, new President of the Trust Company, joined the bank in 1933. His career at the Trust Company includes promotions to Vice-President in 1940 and Senior Vice-President in 1957.

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The First National Bank of Shellman, Shellman, Ga., with capital stock of $25,000, was converted into a state bank under the title of **First State Bank, Shellman, Ga.,** effective as of the close of business Dec. 31.

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The Board of Directors of the **Trust Company of Georgia, Atlanta, Ga.,** announce the election of Charles E. Thwaite, Jr., as Chairman of the Board, William S. Woods as Vice-Chairman of the Board, and George S. Craft as President.

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Election of W. P. Mooty to the Board of Directors of the **Hialeah-Miami Spring Bank, Hialeah, Fla.,** is announced by Charles E. Buker, President.

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John S. Coleman, Board Chairman, and Frank A. Plummer, President, of the **Birmingham Trust National Bank, Birmingham, Ala.,** announced that Elwyn C. Nichols has been promoted to Assistant Vice-President; Clarence E. Avinger, M. Lawrence Phillips and Mrs. Caroline C. Capps were named Assistant Cashiers and Carey F. Hollingsworth, Jr., was named an Assistant Trust Officer.

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Lakeside National Bank of Lake Charles, Lake Charles, La., was granted permission by the office of the Comptroller of the Currency to open a new bank. Tom A. Flanagan, Jr., is President and R. E. Schmitt is Cashier. The bank has a capital of $500,000 and a surplus of $250,000.

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Approval of a $5,000,000 increase in the capitalization of the **First City National Bank, Houston, Texas,** was received Jan. 13 from the Comptroller of the Currency, it was announced by James A. Elkins, Sr., Senior Chairman of the bank's Board of Directors.

The capital increase involved the sale of 125,000 shares of new $20 par value shares of the bank's capital stock to shareholders of record Oct. 2, 1958. Shareholders were entitled to subscribe for one share of new stock for each 10 shares of stock held last Oct. 2.

Proceeds of the $5,000,000 stock sale will be divided equally between the bank's capital stock and surplus, both of which will thus increase from $25,000,000 to $27,500,000, making a combined total of $55,000,000.

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The Board of Directors of **Preston State Bank, Dallas, Texas,** announces the election of W. L. Pickens as Vice-Chairman of the Board.

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The First National Bank of Italy, Italy, Texas, with capital stock of $50,000, was converted into a state bank under the title **First State Bank, Italy, Texas,** effective as of the close of business Dec. 31.

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Staff members of the **Republic National Bank, Dallas, Texas,** were promoted, it was announced by Fred F. Florence, Chairman, Executive Committee, and James W. Aston, President of the bank.

John A. Hurson was promoted from Assistant Vice-President to Comptroller and John H. Cumby from Assistant Vice-President to Vice-President.

* * *

The election of a new director and the payment of a 10% stock dividend to stockholders were highlights of actions taken Jan. 21 at the **Bank of Commerce, Dallas, Texas,** annual stockholders meeting and the board of directors meeting which followed, Berl E. Godfrey, Board Chairman, and Harris H. Bass, Executive Vice-President, announced.

The new member of the board of directors is John M. Griffith, President of the **City National Bank of Taylor, Texas.**

Mr. Griffith has been with the City National Bank since 1924 and has been President since 1940. From 1943 to 1948, he also was First Vice-President and a Director of **Houston's City National Bank, Houston, Texas** (now the **First City National Bank**). He is now a member of the Houston bank's advisory board of directors.

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Promotion of two officers to Vice-President and election of three new officers were announced by James A. Elkins, Jr., President of the **First City National Bank, Houson, Texas.**

C. C. Spencer of the correspondent bank department and C. F. Tuttle of the commercial loan department, both Assistant Vice-Presidents, were promoted to Vice-President.

Mr. Spencer has been with the bank since June, 1949. Starting as a runner with the former **First National Bank** in 1928, Mr. Tuttle worked his way up through various departments. In his new capacity as Vice-President, he will continue to work in the commercial loan department.

George C. Briggs, securities analyst and investment adviser since joining the bank in March, 1958, was appointed trust investment officer.

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Harry R. Smith, a Vice-President at the San Francisco head office of **Bank of America, San Francisco, Calif.,** will head a new office to be opened in Chicago. Mr. Smith has been with the bank for 39 years.

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Charles B. Thornton, has been elected to the Board of Directors of **California Bank, Los Angeles, Calif.,** Frank L. King, President, has announced.

At the same time Mr. King disclosed the election of five top administrative officers to the position of Senior Vice-President of the bank. Named were: W. Wayne Glover, Fred S. Hanson, Darwin A. Holway, Frank H. Schmidt, and Ralph J. Voss. Robert E. Williams, Vice-President in charge of the bank's legal department, was elected Secretary.

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H. D. Thompson and Henry Tiarks have been elected Directors of the **Bank of London & Montreal, Ltd.** The bank is owned jointly by the **Bank of Montreal** and the **Bank of London & South America, Ltd.**

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.

Algom Uranium Mines Ltd.
Jan. 15 filed 822,010 shares of common stock to be issuable upon the exercise of outstanding stock purchase warrants of the company which entitle the holders to purchase common shares at $11 (Canadian) per share at any time to and including March 2, 1959. **Proceeds**—To be used for general corporate purposes and may be applied to the redemption or repurchase of the company's mortgage debentures. **Office** — 335 Bay St., Toronto, Canada. **Underwriter**—None.

★ **Allied Laboratories, Inc.**
Jan. 19 (letter of notification) an undetermined number of shares of common stock (par $2.50) not to exceed an aggregate market value of $50,000 to be offered to employees pursuant to the company's Employees Stock Purchase Plan. **Price**—90% of present market value. **Proceeds**—To purchase the shares. **Office** — 320 V. F. W. Building, 406 W. 34th Street, P. O. Box 44, Kansas City 41, Mo. **Underwriter**—None.

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 (for a 15-day standby. **Price** — $2 per share. **Proceeds**—For additional working capital and new acquisitions, etc. **Office**—30 Verbena Avenue, Floral Park, N Y. **Underwriter** — None. **Offering**—Expected about the middle of February.

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, 1958, filed 500,000 shares of common stock (par 20c). **Price**—To be supplied by amendment. **Proceeds**—To discharge current liabilities and to drill 10 wells. **Underwriters**—To be named by amendment.

American Enterprise Fund, Inc., New York
Oct. 30 filed 487,897 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Distributor**—Edward A. Viner & Co., Inc., New York.

American Growth Fund, Inc., Denver, Colo.
Nov. 17 filed 1,000,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Office**—800 Security Building, Denver, Colo. **Underwriter**—American Growth Fund Sponsors, Inc., 800 Security Bldg., Denver 2, Colo.

American Mutual Investment Co., Inc.
Dec. 17, 1957, filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds** — For investment in first trust notes, second trust notes and construction loans. Company may develop shopping menters and build or purchase office buildings. **Office**—900 Woodward Bldg., Washington, D. C. **Underwriter**—None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

American Telemail Service, Inc.
Feb. 17, 1958, 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.

Arden Farms Co.
Jan. 9 (letter of notification) 5,263 shares of $3 cumulative and participating preferred stock (no par). **Price**—$57 per share. **Proceeds**—To liquidate obligations accruing in the regular course of business. **Office**—1900 Slauson Ave., Los Angeles 47, Calif. **Underwriter**—None.

● **Armstrong Uranium Corp. (2/2)**
Jan. 16 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Hepburn T. Armstrong, Round Up Heights, Cheyenne, Wyo. **Underwriter**—Bruno-Lencher, Inc., Pittsburgh, Pa.

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.

● **Australian Grazing & Pastoral Co., Ltd.**
Jan. 13 filed 4,000,000 shares of common stock. **Price**—At par (56¼ cents per share). **Proceeds**—To purchase cattle; for improvements; to buy additional ranch in Queensland, Australia; and for other corporate purposes. **Office**—1301 Avenue L, Cisco, Tex. **Underwriter**—None. Robert Kamon is President.

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.

● **Avco Manufacturing Corp., New York**
Jan. 7 filed $14,931,900 of 5% convertible subordinated debentures, due Feb. 1, 1979, being offered for subscription by stockholders of record Jan. 26, 1959 on basis of $100 debentures for each 64 shares held; rights to expire on Feb. 10, 1959. **Price**—100% of principal amount. **Proceeds**—To reduce short-term bank loans. **Underwriters**—Lehman Brothers and Emanuel, Deetjen & Co., both of New York.

Bankers Fidelity Life Insurance Co.
Feb. 28, 1958, 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, 1958, 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, 1958, filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter**—Bankers Bond Co., Louisville, Ky. Statement effective Jan. 15, 1959.

★ **Barden Corp. (2/19)**
Jan. 22 filed 102,533 shares of common stock, to be offered for subscription by stockholders at the rate of one new share for each six shares held on or about Feb. 18, 1959; rights to expire on or about March 5. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loan indebtedness; for property additions; to acquire manufacturing laboratory equipment; and the balance for general corporate purposes. **Office**—East Franklin St., Danbury, Conn. **Underwriter** — Shearson, Hammill & Co., New York.

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 (no par). **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. Statement effective Jan. 19.

● **Blossman Hydratane Gas, Inc. (2/16-20)**
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. **Underwriters**—S. D. Fuller & Co., New York and Howard, Weil, Labouisse, Friedrichs & Company, New Orleans, La.

B. M. D. Cooperative, Inc.
Jan. 12 (letter of notification) $162,000 principal amount of 15-year 5% registered debentures due Sept. 15, 1970 to be offered for subscription by stockholders in units of $500 each. **Price**—At par. **Proceeds**—To retire junior bonds due Sept. 15, 1959. **Office**—54 Oakdale St., Springfield, Mass. **Underwriter**—None.

Bobbie Brooks, Inc., Cleveland, Ohio (2/3-4)
Jan. 15 filed 250,000 shares of capital stock (no par), of which 150,000 shares will be sold for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Bache & 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.

Bowmar Instrument Corp.
Dec. 30 (letter of notification) $300,000 principal amount of 5-year 6% notes with stock purchase warrants attached. The warrant grants the right to purchase common stock of the company at the rate of 30 shares for each $1,000 principal amount of notes at the price of $7.50 per share. **Price**—At par. **Proceeds** — To reduce current short-term indebtedness and for working capital. **Office** — Bluffton Rd., Fort Wayne, Ind. **Underwriter**—Fulton Reid & Co., Inc., Cleveland, Ohio.

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. **Offering**—Has been delayed.

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.

★ **Captains Club, Inc.**
Jan. 22 (letter of notification) 165 shares of class A common stock (no par) and 495 shares of class B common stock (no par) to be offered in units of one class A share and three class B shares. **Price** — $540 per unit. **Proceeds**—For general working capital. **Office**—111 East 39th St., New York, N. Y. **Underwriter**—None.

Carraco Oil Co., Ada, Okla.
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 Electric & Gas Co. (2/19)**
Jan. 21 filed 145,940 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held as of record about Feb. 17, 1959; rights to expire on or about March 5, 1959. **Price** — To be supplied by amendment. **Proceeds**—To be used for construction and for payment of bank loans. **Underwriter**—Stone & Webster Securities Corp., New York.

Century Food Markets Co.
Jan. 9 filed 118,112 shares of common stock (par $1) to be offered for subscription by holders of common stock at the rate of one new share for each five shares held. **Price**—$5 per share. **Proceeds**—To discharge bank loan and to replenish working capital. **Underwriter**—Janney Dulles & Battles, Inc., Philadelphia, Pa.

City Lands, Inc., New York
Jan. 13 filed 100,000 shares of capital stock. **Price**—$20 per share. **Proceeds**—To invest in real estate. **Office**—Room 3748, 120 Broadway, New York, N. Y. **Underwriter**—Model, Roland & Stone, New York. **Offering** — Expected in early part of February.

Civic Finance Corp.
Jan. 2 (letter of notification) 6,000 shares of common stock (par $4) to be offered for subscription by holders of stock purchase warrants attached to the 5½% capital notes, series A. **Price** — $15 per share. **Proceeds** — For working capital. **Office**—633 N. Water Street, Milwaukee, Wis. **Underwriter**—None.

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 common stock. **Price**—At par (10 cents per share). **Proceeds**—For investment. **Office**—450 So. Main St., Salt Lake City, Utah. **Underwriter**—Earl J. Knudson & Co., Salt Lake City, Utah.

Connecticut Light & Power Co. (2/6)
Jan. 16 filed 795,000 shares of common stock (no par) to be offered to common stockholders of record Feb. 5, 1959, at the rate of one new share for each unit of 10 shares or less then held; rights to expire about Feb. 24. Certain officers and employees of the company and its subsidiaries will be entitled to purchase shares not subscribed for by stockholders. **Price**—To be supplied by amendment. **Proceeds**—Together with funds available from internal sources are to be used to repay certain outstanding bank loans, to finance in part the company's 1959 construction program, and for other corporate purposes. **Underwriters** — Morgan Stanley & Co., New York; Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; Estabrook & Co., New York and Boston, Mass.

● **Consolidated Edison Co. of New York, Inc.**
Dec. 23 filed $59,609,500 of 4% convertible debentures due Aug. 15, 1973 being 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.

★ **Cormac Chemical Corp.**
Jan. 22 filed 108,667 units of 108,667 shares of common stock (par one cent) and 108,667 common stock purchase warrants, each unit consisting of one common share and one warrant, to be offered for subscription by holders of the common stock of Cormac Photocopy Corp. at the rate of one such unit for every six shares of Cormac Photography common held. **Price**—$2 per unit. **Proceeds**—To finance the company's development and marketing program. **Office**—80 Fifth Avenue, New York, N. Y. **Underwriter**—Ross, Lyon & Co. Inc., New York.

★ **Corporate Leaders of America, New York**
Jan. 26 filed (by amendment) an additional $25,000,000 of corporate trust fund certificates, series B periodic payment certificates and 992,840 participations and 2,500,000 Corporate Leaders trust fund certificates, series B single payment certificates and 101,320 participations.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5, 1958, 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.

Denmark (Kingdom of) (2/5)
Jan. 16 filed $15,000,000 of 15-year External Loan Bonds of 1959. **Price**—To be supplied by amendment. **Proceeds** —To be added initially to the Kingdom's foreign exchange reserves and may be applied to the acquisition of capital equipment required for the development of the Danish economy. **Underwriters** — Kuhn, Loeb & Co., Smith, Barney & Co., Harriman Ripley & Co., Inc., and Lazard Freres & Co., all of New York.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

Diversified Inc., Amarillo, Texas
Jan. 6 filed 300,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—For acquisition of undeveloped real estate, for organization or acquisition of consumer finance business, and balance to be used for working capital. **Underwriter** — Investment Service Co., Denver, Colo., on a best efforts basis.

★ **Duquesne Light Co. (2/24)**
Jan. 27 filed $10,000,000 of first mortgage bonds due March 1, 1989. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co.; A. C. Allyn & Co., Inc., and Ladenburg, Thalmann & Co. (jointly); Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; Drexel & Co. and Equitable Securities Corp. (jointly). **Bids**—Scheduled to be received on Feb. 24.

● **Electro-Voice, Inc., Buchanan, Mich. (2/4-5)**
Jan. 13 filed 150,000 shares of capital stock (par $2), of which 75,000 shares will be offered for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—F. S. Moseley & Co., Boston, Mass.

Erie Forge & Steel Corp.
Jan. 9 filed 237,918 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—To complete modernization and expansion program and for working capital. **Underwriters**—Lee Higginson Corp., and P. W. Brooks & Co., Inc., both of New York City.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20, 1958, 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.

● **Fidelity Capital Funds, Inc., Boston, Mass. (2/2)**
Jan. 12 filed 1,000,000 shares of capital stock. **Price**—$12 per share. **Proceeds** — For investment. **Distributors**—Hornblower & Weeks, Chicago, Ill., and The Crosby Corp., Boston, Mass.

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

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NEW ISSUE CALENDAR

February 2 (Monday)
Armstrong Uranium Corp.—Common
(Bruno-Lenchner, Inc.) $300,000
Broad Street Trust Co.—Common
(Offering to stockholders—underwritten by Hallowell, Sulzberger, Jenks, Kirkland & Co. and Stroud & Co., Inc.) $1,120,000
Fidelity Capital Fund, Inc.—Common
(Hornblower & Weeks and The Crosby Corp.) $12,000,000
Great American Publications, Inc.—Common
(Mortimer B. Burnside & Co., Inc.) $249,500
Nelly Don, Inc.—Common
(Stern Brothers & Co. and Barret, Fitch, North & Co., Inc.) 52,600 shares

February 3 (Tuesday)
Bobbie Brooks, Inc.—Common
(Offering to stockholders—underwritten by Bache & Co.) 150,000 shares
Jet-Air Corp.—Common
(Not underwritten) $100,000

February 4 (Wednesday)
Denver & Rio Grande Western RR.—Equip. Trust Ctfs.
(Bids noon MST) $2,190,000
Electro-Voice, Inc.—Common
(F. S. Moseley & Co.) 150,000 shares
Southern Co.—Common
(Bids 11:30 a.m. EST) 1,350,000 shares
Universal Oil Processes, Inc.—Common
(Lehman Brothers; Smith, Barney & Co.; and Merrill Lynch, Pierce, Fenner & Smith, Inc.) 2,900,000 shares

February 5 (Thursday)
Denmark (Kingdom of)—Bonds
(Kuhn, Loeb & Co.; Smith, Barney & Co.; Harriman Ripley & Co., Inc.; and Lazard Freres & Co.) $15,000,000

February 6 (Friday)
Connecticut Light & Power Co.—Common
(Offering to stockholders—underwritten by Morgan Stanley & Co.; Putnam & Co.; Chas. W. Scranton & Co.; and Estabrook & Co.) 795,000 shares
Rochester Gas & Electric Corp.—Common
(Offering to stockholders—to be underwritten by The First Boston Corp.) 280,000 shares

February 9 (Monday)
Investors Research Fund, Inc.—Common
(Bache & Co.) $5,891,280
Military Publishing Institute, Inc.—Common
(C. H. Abraham & Co., Inc.) $250,000
Standard Manufacturing Corp.—Common
(Plymouth Securities Corp.) $300,000

February 11 (Wednesday)
Reynolds Metals Co.—Preferred
(Dillon, Read & Co., Inc.; Reynolds & Co., Inc.; and Kuhn, Loeb & Co.) $55,000,000

February 12 (Thursday)
Government Employees Variable Annuity Life Insurance Co.—Common
(Offering to stockholders—underwritten by Johnston, Lemon & Co.; Eastman Dillon, Union Securities & Co. and Abacus Fund) $7,500,000

February 16 (Monday)
Blossman Hydratane Gas, Inc.—Debens. & Com.
(S. D. Fuller & Co. and Howard Weil, Labouisse, Friedrichs & Co.) $1,200,000 debentures and 120,000 common shares
Sire Plan of Elmsford, Inc.—Debentures & Pfd.
(Sire Plan Portfolios, Inc.) $500,000
U. S. Land Development Corp.—Common
(Aetna Securities Corp. and Roman & Johnson) $1,055,000

February 17 (Tuesday)
Public Service Co. of Indiana, Inc.—Bonds
(Bids 10:30 a.m. CST) $25,000,000
United Control Corp.—Common
(Blyth & Co., Inc.) 200,000 shares

February 18 (Wednesday)
Southern Pacific Co.—Equip. Trust Ctfs.
(Bids noon CST) $7,125,000
TV Junior Publications, Inc.—Com. & Warrants
(Charles Plohn & Co.) $375,000

February 19 (Thursday)
Barden Corp.—Common
(Offering to stockholders—underwritten by Shearson, Hammill & Co.) 102,553 shares
Central Illinois Electric & Gas Co.—Common
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) 145,940 shares

February 24 (Tuesday)
Duquesne Light Co.—Bonds
(Bids to be invited) $10,000,000

February 25 (Wednesday)
Illinois Bell Telephone Co.—Bonds
(Bids to be invited) $50,000,000

March 3 (Tuesday)
Pacific Power & Light Co.—Common
(Bids to be invited)

March 4 (Wednesday)
Eastern Utilities Associates—Common
(Offering to stockholders—bids 11 a.m. EST) 96,765 shares

March 31 (Tuesday)
California Electric Power Co.—Common
(Bids to be invited) 300,000 shares
Monongahela Power Co.—Bonds
(Bids to be invited) $16,000,000

April 2 (Thursday)
Gulf Power Co.—Bonds
(Bids to be invited) $7,000,000

April 15 (Wednesday)
Wisconsin Power & Light Co.—Bonds
(Bids to be invited) $14,000,000

April 30 (Thursday)
Alabama Power Co.—Bonds
(Bids to be invited) $20,000,000

May 28 (Thursday)
Southern Electric Generating Co.—Bonds
(Bids to be invited) $25,000,000

June 2 (Tuesday)
Virginia Electric & Power Co.—Common
(Bids to be received) $20,000,000 to $25,000,000

June 25 (Thursday)
Mississippi Power Co.—Bonds
(Bids to be invited) $5,000,000

September 10 (Thursday)
Georgia Power Co.—Bonds
(Bids to be invited) $18,000,000

Postponed Financing

Montana Power Co.—Bonds
(Bids to be invited) $20,000,000
Pennsylvania Power Co.—Bonds
(Bids to be invited) $8,000,000

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capital. **Office**—508 Ainsley Bldg., Miami, Fla. **Underwriter** — R. F. Campeau Co., Penobscot Bldg., Detroit, Mich.

Florida Builders, Inc.
Dec. 1 filed $4,000,000 of 6% 15-year sinking fund subordinated debentures and 40,000 shares of common stock, to be offered in units of $100 principal amount of debentures and one share of common stock. **Price** — $110 per unit. **Proceeds**—For purchase and development of subdivision land, including shopping site; for new equipment and project site facilities; for financing expansion program; and for liquidation of bank loans and other corporate purposes. **Office**—700 43rd St., South, St. Petersburg, Fla. **Underwriter**—None.

Fluorspar Corp. of America
Oct. 14 (letter of notification) 133,333 shares of common stock (par 25 cents). **Price**—$2.25 per share. **Proceeds**—For mining expenses. **Office**—4334 S. E. 74th Ave., Portland 6, Ore. **Underwriter** — Ross Securities Inc., New York, N. Y.

Fort Pierce Port & Terminal Co.
Nov. 25 filed 2,138,500 shares of common stock (par $1) **Price**—$1.25 per share. **Proceeds**—To pay short-term loans and for completing company's Port Development Plan and rest added to general funds. **Office** — Fort Pierce, Fla. **Underwriter**—Frank B. Bateman, Ltd., Palm Beach, Fla.

Foundation Investment Corp., Atlanta, Ga.
Jan. 13 filed 231,988 shares of common stock to be offered for subscription by stockholders; unsold portion to be offered publicly. **Price**—$12.50 per share. **Proceeds**—To repay notes. **Office**—515 Candler Bldg., Atlanta, Ga. **Underwriter**—None.

Gas Light Co. of Columbus
Dec. 30 (letter of notification) 15,000 shares of common stock (par $5) being offered for subscription by stockholders of record Jan. 15 on a pro rata basis; rights to expire on Feb. 5. **Price**—$19 per share. **Proceeds**—For working capital. **Office** — 107 13th St., Columbus, Ga. **Underwriter**—None.

General Alloys Co.
Nov. 17 (letter of notification) 45,250 shares of common stock (par $1) of which 16,900 shares are to be offered to employees and the remainder to the public. **Price**—To employees, $1.1805 per share. **Proceeds**—To purchase and install machinery and equipment. **Office**—367-405 West First St., Boston, Mass. **Underwriter**—William S Prescott & Co., Boston, Mass.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1) Proceeds—To the Attorney General of the United States Underwriter—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

★ **Glens Falls Insurance Co.**
Jan. 2 (letter of notification) an aggregate market value of $300,000 of the company's capital stock (par $5) to be offered to qualified employees under Stock Option and Instalment Purchase Plan. **Price**—At market. **Office**—291 Glen St., Glens Falls, N. Y. **Underwriter**—None.

Government Employees Variable Annuity Life Insurance Co. (2/12)
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company on or about Feb. 12, 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. 30, 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. 30, 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. 30, 1959 (as of Dec. 31, 1958 there were 143,703 shares of stock outstanding and $589,640 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 164,733 common shares would be outstanding. Warrants will expire on Feb. 27, 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 is offering to its common stockholders preferential warrants to subscribe to 93,750 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 Jan. 19, 1959; rights to expire Feb. 16. **Price**—$2 per share. **Proceeds**—To selling stockholder. **Office**—927 Market Street, Wilmington, Del. **Underwriter**—None. Statement effective Jan. 12.

● **Great American Publications, Inc. (2/2-6)**
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**—None. Statement effective Dec. 19.

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.] Stop order proceedings instituted by SEC on Jan. 15.

★ **Harman-Kardon, Inc.**
Jan. 23 filed 200,000 shares of common stock, of which the company proposes to offer 95,000 shares and 105,000 shares will be sold for the account of Bernard Kardon, Vice-President and General Manager. **Price** — $3 per share. **Proceeds**—To eliminate $100,000 of outstanding bank loans, and for working capital. **Office**—520 Main Street, Westbury, N. Y. **Underwriter**—Milton D. Blauner & Co., Inc., New York. **Offering**—Expected sometime during the middle part of February.

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.
Oct. 22 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office** — 35-10 Astoria Blvd., L. I. C. 3, N. Y. **Underwriter**—Albion Securities Co., Suite 1512, 11 Broadway, New York 4, N. Y.

Highway Trailer Industries, Inc.
Nov. 24 filed 473,000 outstanding shares of common stock (par 25 cents). **Price**—At prices generally prevailing on the American Stock Exchange. **Proceeds** — To selling stockholders. **Office**—250 Park Avenue, N. Y. **Underwriter**—None.

Hilton Credit Corp., Beverly Hills, Calif.
Dec. 18 filed 1,927,383 shares of common stock (par $1) being offered for subscription by common stockholders of record Jan. 15 of Hilton Hotels Corp. at the rate of one share of Hilton Credit stock for each two shares of Hilton Hotels stock; rights to expire on Feb. 2. **Price**—$3.25 per share. **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.

● **Holiday Inns of America, Inc.**
Dec. 30 filed 35,298 shares of common stock, to be offered for subscription by common stockholders (other than the Board Chairman and President and their families) at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—In addition to other funds, to be added to working capital and to complete the current portions of construction costs. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

● **Home Owners Life Insurance Co.**
Dec. 19 filed 153,840 shares of common stock (par $1) being offered for subscription by stockholders on the basis of one additional share for each two shares held as of Jan. 21, 1959; rights to expire on Feb. 5. **Price**—$6 per share. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter** — H. Hentz & Co., New York.

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.

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.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To develop and operate graphite and mica properties in Alabama. **Underwriters**—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis. Statement effective Nov. 18.

● **Industro Transistor Corp. (N. Y.)**
Feb. 28, 1958, 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. Stop order proceedings instituted by SEC.

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.

Investors Research Fund, Inc. (2/9)
Jan. 9 filed 490,940 shares of common stock. **Price**—$12 per share. **Proceeds**—For investment. **Office**—922 Laguna St., Santa Barbara, Calif. **Investment Advisor**—Investors Research Co., Santa Barbara, Calif. **Underwriter**—Bache & Co., New York.

Israel (The State of)
Jan. 8 filed $300,000,000 of second development bonds, part to consist of 15-year 4% dollar coupon bonds (to be issued in five series maturing serially from March 1, 1974 to March 1, 1978) and 10-year dollar savings bonds (each due 10 years from first day of the month in which issued). **Price**—100% of principal amount. **Proceeds**—For improvements, etc. **Underwriter**—Development Corp. for Israel, 215 Fourth Ave., New York City. **Offering**—Expected early in March, 1959.

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.

● **Jet-Aer Corp., Paterson, N. J. (2/3-4)**
Dec. 5 (letter of notification) 10,000 shares of class A common stock (par $1.50). **Price** — $10 per share. **Proceeds**—For purchase of modern automatic filling equipment and for marketing and advertising program. **Office**—85-18th Ave., Paterson, N. J. **Underwriter**—None.

Kimberly-Clark Corp.
Dec. 30 filed 225,000 shares of common stock (par $5) to be offered in exchange for common stock of the American Envelope Co. of West Carrollton, Ohio, on the basis of three-quarters of a share of Kimberly stock for each share of American. The offer will expire on Feb. 27, 1959. The exchange is contingent on acceptance by all of the stockholders.

★ **Kirkham-Reed International Corp.**
Jan. 15 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To produce two motion pictures. **Office**—Suite 808, 3440 Wilshire Boulevard, Los Angeles, Calif. **Underwriter**—None.

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.

★ **LEL, Inc.**
Jan. 22 (letter of notification) 150,000 shares of common stock (par 20 cents). **Price**—$1 per share. **Proceeds**—To retire loans and notes and for working capital. **Business**—Engaged in the design, manufacture and sale of electronic equipment. **Office** — 380 Oak St., Copiague, L. I., N. Y. **Underwriter**—Bertner Bros., New York, N. Y.

Life Insurance Securities Corp.
March 28, 1958, filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland, Me.

★ **Ling Electronics, Inc.**
Jan. 27 filed 335,000 shares of common stock, to be offered in exchange for the outstanding capital stock of Altec Companies, Inc., on the basis of one share of Ling stock for one share of Altec stock. The offer is subject to acceptance by holders of at least 80% of the outstanding Altec stock.

● **Los Angeles Drug Co.**
Oct. 3 filed 50,000 shares of capital stock (no par) being offered for subscription by holders of outstanding stock of record Jan. 2 on the basis of 35 100ths of a new share for each share held; rights to expire on Jan. 30. **Price**—$10.50 per share to stockholders; $11.50 to public. **Proceeds**—To reduce short term bank loans and for working capital. **Office** — Los Angeles, Calif. **Underwriter**—Dempsey-Tegeler & Co., 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 pur-

poses. **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.

★ **Magic Mountain, Inc., Golden, Colo.**
Jan. 27 filed 2,250,000 shares of common stock. **Price**—$1.50 per share. **Proceeds**—For construction and working capital. **Underwriter** — Allen Investment Co., Boulder, Colo., on a best-efforts basis.

Mairco, Inc.
Jan. 6 (letter of notification) 600 shares of common stock to be offered for subscription by stockholders of record Jan. 10, 1959 on the basis of one share of additional common stock for each five shares held; rights to expire on Jan. 30, 1959. **Price**—At par ($100 per share). **Proceeds**—For inventory and working capital. **Office**—1026 N. Main Street, Goshen, Ind. **Underwriter**—None.

★ **Massachusetts Investors Trust**
Jan. 23 filed (by amendment) an additional 10,000,000 shares of beneficial interest. **Price**—At market. **Proceeds**—For investment. **Office**—Boston, Mass.

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.

Meyer-Blanke Co.
Dec. 29 (letter of notification) 13,500 shares of common stock (no par). **Price**—At the market (Midwest Stock Exchange). **Proceeds**—To selling stockholders. **Office**—310 Russell St., St. Louis, Mo. **Underwriter**—Smith Moore & Co., St. Louis, Mo.

Mid-America Minerals, Inc.
Jan. 19 filed 100 units of participations in Oil and Gas Fund (the "1959 Fund"). **Price**—$15,000 per unit. **Proceeds** — For working capital, etc. **Office** — 500 Mid-America Bank Bldg., Oklahoma City, Okla. **Underwriter**—Midamco, Inc., a wholly-owned subsidiary, Oklahoma City, Okla.

● **Military Publishing Institute, Inc. (2/9-13)**
Dec. 9 (letter of notification) 125,000 shares of common stock (par 5 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes and working capital. **Office**—55 West 42nd Street, New York 36, N. Y. **Underwriter**—C. H. Abraham & Co., Inc., 565 Fifth Ave., New York 17, N. Y.

Millsap Oil & Gas Co.
Dec. 23 filed 602,786 shares of common stock. **Price**—$1 per share. **Proceeds** — For additional working capital. **Office**—Siloam Springs, Ark. **Underwriter**—None.

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.**
Dec. 30 filed 33,000 shares of common stock (par $5) being offered for subscription by common stockholders at the rate of one new share for each 10 shares held of record Jan. 21, 1959 (with an oversubscription privilege); rights to expire Feb. 9, 1959. **Price**—$22 per share. **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.

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. **Offering**—Indefinitely postponed.

National Theatres, Inc., Los Angeles, Calif.
Dec. 30 filed $20,000,000 5½% sinking fund subordinated debentures due March 1, 1974, stock purchase warrants for 454,545 shares of common stock (par $1) and 485,550 warrants to purchase debentures and stock purchase warrants. The debentures and stock purchase warrants are 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.

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.

Nelly Don, Inc. (2/2-6)
Jan. 9 filed 52,600 outstanding shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—3500 E. 17th St., Kansas City, Mo. **Underwriters**—Stern Brothers & Co. and Barret, Fitch, North & Co., Inc., both of Kansas City, Mo.

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.

● **Northwest Natural Gas Co.**
Jan. 7 filed $7,000,000 of first mortgage bonds due Feb. 1, 1984. **Price**—To be supplied by amendment. **Proceeds**—To be used for partial payment of bank loans. **Underwriter** — Lehman Brothers, New York. **Offering** — Expected today (Jan. 29).

Nylonet Corp.
Nov. 24 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office**—20th Ave., N. W. 75th St., Miami, Fla. **Underwriter**—Cosby & Co., Clearwater, Fla.

Oak Ridge, Inc.
Sept. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—11 Flamingo Plaza, Hialeah, Fla. **Underwriter** — Henry & Associates, Inc., 11 Flamingo Plaza, Hialeah, Fla.

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.

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., has withdrawn as underwriter.

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.

Oppenheimer Fund, Inc.
Dec. 5 filed 100,000 shares of capital stock. **Price**—At market (about $10 per share). **Proceeds**—For investment. **Office**—25 Broad St., New York. **Underwriter**—Oppenheimer & Co., New York. **Offering** — Expected sometime in February.

★ **Pacific Petroleums Ltd.**
Jan. 21 filed 160,792 shares of common stock. These shares have been, or may be, purchased by various firms and individuals pursuant to presenting outstanding options expiring June 30, 1959 (to the extent of 137,492 shares), or have been purchased pursuant to an option which expired Aug. 29, 1958 (to the extent of 23,300 shares). The company will not receive any proceeds from any sales of these shares.

★ **Pacific Power & Light Co. (3/3)**
Jan. 27 filed 207,852 shares of common stock, which the company proposes to offer to common stockholders of record March 3, 1959 at the rate of one new share for each 20 shares held; rights to expire on March 25. **Proceeds**—For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Lehman Brothers, Eastman Dillon, Union Securities & Co., Bear, Stearns & Co. and Dean Witter & Co. (jointly); Ladenburg, Thalmann & Co.; Kidder, Peabody & Co. **Bids**—Expected to be received on March 3.

Paramount Mutual Fund, Inc.
Jan. 2 filed 300,000 shares of capital stock. **Price**—Minimum purchase of shares is $2,500. **Proceeds**—For investment. **Office**—404 North Roxbury Drive, Beverly Hills, Calif. **Underwriter**—Paramount Mutual Fund Management. Co.

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.
Dec. 17 filed 295,841 shares of common stock (no par) being 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**—$50 per share. **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.

Pilgrim Helicopter Services, Inc.
Jan. 9 (letter of notification) 12,000 shares of common stock (par $3). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—Investment Bldg., Washington 5, D. C. **Underwriter**—Sade & Co., Washington 5, D. C.

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.

● **Plastic Applicators, Inc.**
Dec. 29 (letter of notification) $150,000 of 6% convertible sinking fund debentures due Jan. 2, 1969 and 30,000 shares of common stock (par $1). **Price**—Of debentures, at par; of stock, $5 per share. **Proceeds** — To purchase new equipment and for working capital. **Office**—7020 Katy Rd., Houston, Tex. **Underwriter**—A. G. Edwards & Sons, St. Louis 1, Mo. **Offering**—Expected this week.

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.

Public Service Co. of Indiana, Inc. (2/17)
Jan. 21 filed $25,000,000 of first mortgage bonds, series M, due Feb. 1, 1989. **Proceeds**—To repay bank loans and for construction costs. **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 up to 10:30 a.m. (CST) on Feb. 17, at Room 2000, 11 So. LaSalle St., Chicago, Ill.

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.

● **Reynolds Metals Co. (2/11)**
Jan. 12 filed 550,000 shares of second preferred stock, convertible series (par $100). **Price**—To be supplied by amendment. **Proceeds**—To be used to the extent required to reimburse the company's treasury for the cost of acquisition of ordinary stock of The British Aluminum Co. Ltd. and to meet the cost of any additional acquisition of such stock. **Underwriters**—Dillon, Read & Co. Inc., Reynolds & Co. Inc.. and Kuhn, Loeb & Co., all of New York.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter** — Pacific Securities Ltd., Vancouver, Canada.

Rochester Gas & Electric Corp. (2/6)
Jan. 16 filed 280,000 shares of common stock (no par) to be offered for subscription by stockholders of record Feb. 5, 1959, at the rate of one new share for each nine shares, or portion thereof, then held; rights to expire on Feb. 24. Unsubscribed shares to be offered to employees. **Price**—To be supplied by amendment. **Proceeds**—To be used in connection with the company's construction program, including the discharge of short-term obligations, the proceeds of which were so used. **Underwriter**—The First Boston Corp., New York.

Routh Robbins Investment Corp.
Sept. 22 filed $1,000,000 of 10-year 6% cumulative convertible debentures and 99,998 shares of common stock.

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Price—Of debentures, at par (in units of $100 each); and of stock, $1 per share. **Proceeds** — For investment 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.

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.

● **Saratoga Plastics, Inc., Bellows Falls, Vt.**
Jan. 14 (letter of notification) 18,000 shares of common stock (par $1) to be issued upon exercise of stock options held by underwriters. **Price**—$1.50 per share. **Proceeds**—To purchase molds and equipment required for the full scale manufacture of portable recording machine units. **Underwriter**—Reilly, Hoffman & Co., New York.

● **Seiberling Rubber Co.**
Dec. 23 filed 106,841 shares of common stock (par $1) being offered to common stockholders on the basis of one new share for each four shares held of record Jan. 19, 1959; rights to expire on Feb. 4. **Price**—$14 per share. **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.

★ **Selected Risks Insurance Co.**
Jan. 23 (letter of notification) 8,500 shares of common capital stock (par $10) to be issued to stockholders upon exercise of warrants on the basis of one share for each 13 2/17th shares held (after giving effect to a stock dividend of 11½%). The warrants expire on March 16, 1959. **Price**—$35 per share. **Proceeds**—For working capital. **Office**—Branchville, N. J. **Underwriter**—None.

Service Life Insurance Co.
Sept. 26 (letter of notification) 3,567 shares of common stock (par $1). **Price**—$18.75 per share. **Proceeds**—To go to a selling stockholder. **Office**—400 W. Vickery Blvd., Fort Worth, Tex. **Underwriter**—Kay & Co., Inc., Houston, Tex.

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.

Sheridan-Belmont Hotel Co.
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. **Price**—At par. **Proceeds**—For working capital. **Office** — 3172 North Sheridan Rd., Chicago 14, Ill. **Underwriter**—None

Sire Plan of Elmsford, Inc., New York (2/16)
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.

Smith-Corona Marchant, Inc.
Dec. 24 filed $7,443,100 of 5¼% convertible subordinated debentures due Jan. 1, 1979 being 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. 15; rights to expire on Jan. 30. **Price**—100% of principal amount. **Proceeds**—To reduce bank loans and for working capital. **Underwriter** — Lehman Brothers, New York.

Southern Co. (2/4)
Jan. 9 filed 1,350,000 shares of common stock (par $5). **Proceeds**—For payment of short-term bank loans, for investment in common stocks of subsidiaries and general corporate purposes, including additional investments in operating affiliates. **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 11:30 a.m. (EST) on Feb. 4 at 250 Park Avenue, New York, N. Y.

★ **Southwestern States Telephone Co.**
Jan. 27 filed 150,000 shares of common stock, of which 140,000 shares are to be offered for public sale and 10,000 to company employees. **Price** — To be supplied by amendment. **Proceeds**—For construction program. **Office**—300 Montgomery St., San Francisco, Calif. **Underwriter**—Dean Witter & Co., San Francisco and New York. **Offering**—Expected during the latter part of February.

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.
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 Manufacturing Corp. (2/9-16)**
Jan. 16 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To pay loans; purchase machinery, tools and dies; inventory; and for working capital. **Office**—1100 South Central Park Ave., Chicago 24, Ill. **Underwriter**—Plymouth Securities Corp., New York, N. Y.

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** — Expected 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 principal amount; and for stock $3 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

★ **TV Junior Publications Inc. (2/18)**
Jan. 26 filed 150,000 shares of common stock and warrants for the purchase of an additional 150,000 shares of common stock, to be offered in units of one share of stock and one warrant. Of this offering, 120,000 units will be offered for the account of the company and 30,000 units will be sold for the account of selling stockholders. **Price**—$2.50 per unit. **Proceeds**—To repay loans by company officials and past-due payables owing chiefly to Promotion Press; and the balance for working capital and expansion of circulation. **Office**—225 Varick St., New York. **Underwriter**—Charles Plohn & Co., New York.

Union Bag-Camp Paper Corp.
Jan. 8 filed 23,282 shares of capital stock (par $6.66⅔) to be offered in exchange for shares of capital stock of Highland Container Co. in ratio of 0.58 share of Union Bag for one share of Highland. Unless the exchange offer is accepted prior to its expiration of stockholders holding more than 25,000 of the outstanding shares, the exchange offer will be cancelled. If the exchange offer is so accepted by the holders of more than 25,000, but less than 36,000 such shares, the exchange offer may be cancelled at the option of Union Bag by written or telegraphic notice to the exchange agent given on or before March 4, 1959.

★ **United Control Corp., Seattle, Wash. (2/17)**
Jan. 28 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—Blyth & Co., Inc., 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 Funds, Inc.**
Jan. 22 filed (by amendment) $10,000,000 additional face amount of Periodic Investment Plans without insurance and the underlying shares of United Accumulative Fund, and $2,500,000 face amount of Periodic Investment Plans with insurance and the underlying shares of United Accumulative Fund. **Proceeds**—For investment. **Office**—Kansas City, Mo.

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 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.

● **U. S. Land Development Corp. (2/16-20)**
Jan. 16 filed 1,055,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — To be added to the company's general funds and used to develop Pineda Island and other properties that may be acquired. **Underwriters**—Aetna Securities Corp., New York, and Roman & Johnson, Ft. Lauderdale, Fla., on a best efforts basis.

★ **United States Pool Corp.**
Jan. 16 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—27 Haynes Ave., Newark, N. J. **Underwriter**—Ross, Lyon & Co., Inc., New York.

● **Universal Oil Processes, Inc. (2/4)**
Jan. 13 filed 2,900,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—To purchase from Guaranty Trust Co. of New York, as trustee of the Petroleum Research Fund, all of the outstanding shares of capital stock of Universal Oil Products Co. **Office**—30 Algonquin Road, Des Plaines, Ill. **Underwriters**—Lehman Brothers, Smith, Barney & Co., and Merrill Lynch, Pierce, Fenner & Smith, Inc., all of New York.

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 Business Acceptance Corp.**
Jan. 19 (letter of notification) 9,063 shares of class A common stock (par $1) and 27,162 shares of class B common stock (par $1) to be offered in units consisting of one share of class A common stock and four shares of class B common stock. **Price**—$5 per unit. **Proceeds**—For working capital. **Office**—4080 South State, Murray, Utah. **Underwriter**—None.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

● **Wenwood 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. **Offering**—Expected any day.

★ **Whelchel Mines Co.**
Jan. 15 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office** — 1019 Arthur St., Caldwell, Idaho. **Underwriter**—None.

● **William Hilton Inn Co.**
Jan. 19 filed, together with The William Hilton Trust, $600,000 of trust participation certificates, 9,000 shares of class A common stock (non voting), and 600 shares of class B common stock (voting); to be offered in 600 units, each consisting of 10 certificates ($100 face amount), 15 class A shares and 1 class B share. **Price**—$1,160 per unit. **Proceeds**—Together with bank borrowings, will be used to purchase from the Sea Pines Plantation Co. a tract of approximately three acres of ocean front property on Hilton Head Island, to construct the Inn, purchase all furniture, fixtures and equipment necessary to operate the Inn and to provide necessary working capital (and to reimburse Sea Pines Plantation for some $20,000 of costs advanced by it. **Underwriter**—The Johnson, Lane, Space Corp., Savannah, Ga.

Wilmington Country Club, Wilmington, Del.
Oct. 27 filed $500,000 of debentures due 1991 (non interest bearing) and 800 shares of common stock (par $25) to be offered to members of this club and of Concord Ltd. **Price**—$375 per common share and $1,000 per debenture. **Proceeds** — To develop property and build certain facilities. **Underwriter**—None.

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 Airlines, Inc.
Jan. 13, Wililam J. Hogan, Executive Vice-President, Finance, said this corporation may soon be in the market with a new equity type offering. This will be done privately.

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.

★ Broad Street Trust Co., Philadelphia, Pa. (2/2)
Jan. 21 it was announced that the Bank will offer 32,000 additional shares of common stock (par $10) to its common stockholders of record Jan. 22, 1958, on the basis of 16 new shares of common stock for each 149 shares then held; rights to expire on Feb. 16. **Price**—$35 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Hallowell, Sulzberger, Jenks, Kirkland & Co. and Stroud & Co., Inc., both of Philadelphia, Pa.

★ California Electric Power Co. (3/31)
Jan. 21 it was announced that the company plans the issue and sale of 300,000 shares of common stock. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc.; Carl M. Loeb, Rhoades & Co. and Bear Stearns & Co. (jointly); White, Weld & Co.; and Kidder, Peabody & Co. **Bids**—To be received on March 31.

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.

★ Central Power & Light Co.
Jan. 26 it was reported that the company plans to sell $11,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers and Glore Forgan & Co. (jointly); Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co., Inc., and Bear, Stearns & Co. (jointly); Eastman Dillon, Union Securities & Co. **Bids**—Expected to be received sometime in April.

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.

Denver & Rio Grande Western RR. (2/4)
Bids will be received by the company at 1531 Stout St., Denver 1, Colo., up to noon (MST) on Feb. 4 for the purchase from it of $2,190,000 equipment trust certificates, series X, maturing semi-annually from Sept. 1, 1959 to March 1, 1974, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Eastern Utilities Associates (3/4)
Jan. 5 the trustees approved an offering of 96,765 additional shares of common stock to common stockholders of record about March 4, 1959 on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on March 19. **Underwriters**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co.; Stone & Webster Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on March 4.

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 National Bank & Trust Co., Tulsa, Okla.
Jan. 13 stockholders were to vote 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.

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.
Dec. 15 the new common voting stock outstanding following 10-for-1 split was listed on the New York Stock Exchange. A large secondary offering has been rumored. **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.

• Japan (Empire of)
Jan. 7 it was stated that an issue of approximately $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. **Registration**—Expected this week.

Kansas City Power & Light Co.
Dec. 29 it was reported that the company plans to issue and sell $20,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman, Dillon, Union Securities & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). **Offering**—Expected in May or June.

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).

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.

Louisiana Power & Light Co.
Dec. 29 it was reported that the company plans to issue and sell $7,500,000 of preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., Blyth & Co., Inc. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Kidder, Peabody & Co. and Harriman Ripley & Co., Inc. (jointly); Salomon Bros. & Hutzler, Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly). **Bids**—Expected to be received sometime in April.

• Mercantile National Bank, Dallas, Texas
Jan. 20 the stockholders authorized the issuance of 125,000 additional shares of common stock on the basis of one new share for each 10 shares held on Jan. 20; rights to expire on Feb. 6. **Price**—$26 per share. **Proceeds**—To increase capital and surplus. **Underwriters** — Rauscher, Pierce & Co., Inc. and First Southwest Co., both of Dallas, Tex.

• 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. **Offering**—Expected in March.

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.

• Monongahela Power Co. (3/31)
Dec. 29 it was reported that the company plans the sale of about $16,000,000 of 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 Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp.; W. C. Langley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on March 31.

• National State Bank, Newark, N. J.
Jan. 27 stockholders were offered 80,000 shares of common stock on the basis of one new share for each six shares then held as of Jan. 23; rights to expire on Feb. 16. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Clark, Dodge & Co., 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 Pacific Ry. (2/10)
Jan. 26 it was reported that the company will receive bids on Feb. 10 for the purchase from it off $4,850,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

• Our River Electric Co., Luxemburg
Dec. 22 it was reported that this company plans to offer $10,000,000 of bonds in February or March, 1959. **Underwriters**—The First Boston Corp. and Kuhn, Loeb & Co., both of New York.

Pacific National Bank of San Francisco
Jan. 14 the bank offered 74,511 additional share of new common stock (par $20) to stockholders of record Jan. 13 at the rate of one new share for each three shares held; rights will expire on Feb. 3. **Price**—$42 per share. **Underwriters**—Blyth & Co., Inc. and Elworthy & Co., both of San Francisco, Calif.

★ Pennsylvania Electric Co.
Jan. 12 it was reported that the company is planning the sale of about $17,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., Merrill Lnych, Pierce, Fenner & Smith Inc. and White, Weld & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Offering**—Expected this Spring or early Summer.

Public Service Co. of New Mexico
Jan. 12 it was reported that the directors will meet on Jan. 27 to discuss the issuance of 50,000 shares of preferred stock. **Proceeds**—For construction program. **Underwriter**—May be Allen & Co., New York.

Rockland-Atlas National Bank of Boston, Mass.
Jan. 21 stockholders of record Jan. 20, 1959 were given the right to subscribe for an additional 40,000 shares of capital stock (par $10) on the basis of one new share for each 6½ shares held; rights to expire on Feb. 4, 1959. **Price**—$38 per share. **Proceeds**—To increase capi-

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tal and surplus. **Underwriter** — The First Boston Corp., New York.

Ryder System, Inc.
Jan. 12 it was reported that the company plans the issuance and sale of 150,000 shares of common stock (par $5). **Proceeds**—For acquisitions. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Expected any day.

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.

Southern Pacific Co. (2/18)
Bids are expected to be received by the company at Room 2117, 165 Broadway, New York, N. Y., up to noon (EST) on Feb. 18 for the purchase from it of $7,125,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Southwestern Electric Power Co.**
Jan. 26 it was reported that this company (formerly Southwestern Gas & Electric Co.) plans the issuance and sale of about $16,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc. and Eastman Dillon, Union Securities & Co. (jointly); Equitable Securities Corp.; Lehman Brothers; Kuhn, Loeb & Co.; Blyth & Co. Inc. **Bids**—Expected to be received in April or May.

Technology Instrument Corp.
Jan. 13 it was reported that the company plans early registration of 130,000 shares of common stock via an amendment to an earlier registration statement. **Underwriter**—Shearson, Hammill & Co. and S. D. Fuller & Co., both of New York. **Offering**—Expected today (Jan. 29).

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.

Texas Gas Transmission Co.
Jan. 13 it was reported that the company has filed an application with the Federal Power Commission covering $40,000,000 of additional financing. It is believed that $10,000,000 of this new capital will be raised via a common stock offering and the rest will consist of first mortgage bonds. **Proceeds**—For expansion program. **Underwriter**—Dillon, Read & Co., Inc., New York. **Offering**—Not expected for some time.

Thomas & Betts Co.
Nov. 24 it was reported that the company plans early registration of about 250,000 to 300,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Smith, Barney & Co., New York. **Registration**—Expected in February.

Uptown National Bank of Chicago
Jan. 15 the Bank offered to its stockholders of record Jan. 15, 1959 the right to subscribe for 10,000 additional shares of capital stock (par $25) at the rate of one new share for each five shares held; rights to expire on March 5. **Price**—$35 per share. **Proceeds**—To increase capital and surplus.

Virginia Electric & Power Co. (6/2)
Jan. 5 it was reported that the company plans the sale of from $20,000,000 to $25,000,000 of additional common stock. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith; Stone & Webster Securities Corp. **Bids**—Expected to be received on June 2.

West Penn Power Co.
Dec. 29 it was reported the company contemplates the issue and sale of about $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received some time in May.

Wisconsin Power & Light Co. (4/15)
Jan. 12 it was reported that the company contemplates the sale of $14,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co. (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. **Bids**—Expected to be received on April 15. **Registration**—Planned for March 9.

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 on Governments

By JOHN T. CHIPPENDALE, JR.

The new 4% bond due Feb. 15, 1980, although not acting as well as had been expected by some money market followers, appears to be finding a demand, not too large to be sure, at current levels which is still under the issue price of 99. There is no question but what this 21-year bond is having appeal to certain institutional investors and they are continuing to make purchases because, in comparison with corporates and tax free bonds, the return on the Government issue is attractive.

The near-term demand for the most liquid governments is still sizable, but evidently not as large as it was in the not distant past. Some of these funds are now being put to work in business.

The terms of the February refunding operation are expected shortly and a package deal, which will be of interest to the owners of the maturing issues, is looked for in the money market. There might also be gimmicks in this one. On the other hand, the attrition could be sizable since many of those that owned the February issues have already done their own refunding.

Package Refunding Offer Likely

The market for Government issues continues to be on the defensive, with the uncertainty not likely to be lifted to any extent until the terms of the refunding offer have been made public. Whether there will be greater or less pressure on the money market will depend upon the kind of issues that will be made available by the Treasury to take care of the February maturities.

It is obvious that part of the package refunding deal will be a short-term obligation, which will be used to meet the needs of the Central Banks that are owners of approximately $6,000,000,000 of the securities that will have to be paid off next month. An obligation which would meet the requirements of the Federal Reserve Banks would most likely have a maturity of one year, give or take a month.

It is also possible that some of the holders of the February maturities, aside from the Central Banks, will also be interested in making a switch into the shortest term issue that will be offered, since they cannot afford to take on securities that would be out of the near-term classification.

4s of 1962 May Be Reopened

What the rest of the refunding package will consist of seems to be a matter of considerable conjecture, although the feeling appears to be growing that the Treasury is inclining more and more to the near-term section of the market for the other security or securities that may be offered to owners of the February maturities. It is considered to be well within the realm of possibility however by some money market specialists, however, that a bond maturity may still be used in this operation in addition to a short note, such as a three or four year obligation. Also, the reopening of the outstanding 4s of 1962 is not without consideration in the financial district since it is held by some that such a maturity would have real appeal to certain owners of the maturity issues.

Higher Discount Rate Indicated

There is no question but what the money market will continue to be on the spot for more than a short while unless some of the ideas about spending in Washington have been settled one way or another. There are the usual operations by the Federal Reserve Banks to take surplus funds out of the money market, which follows the return flow of cash after the year-end demands have been taken care of. This means that there will be a tightening in the money market so that the policy of "active restraint" will again be in full force. Along with this, is the demand for funds from business in order to meet the needs of the improvement which is taking place in economic conditions.

The demand for loanable funds is expected by some bankers to bring about in time not only higher rates for borrowing, which could result in an increase in the prime bank rate, but also an increase in the discount rate. Another upping of the Central Bank rate would be further confirmation that the policy of money restraint of the powers that be would be continued for the foreseeable future.

Higher Bond Rate May Be Necessary

There has not been very much talk about an increase in the rate which the Treasury would be able to pay on its bonds, although it is considered to be a very important topic for consideration at some time in the not too distant future. The budget submitted by the President indicates that an increase in the cost of servicing the Federal debt is forecast for the 1959-60 fiscal year. This may be the forerunner of an increase in the debt rate of 4¼% for bonds to a higher figure not yet fully agreed upon. More may come out about this when an increase is asked for in the debt limit.

Altex Aluminum Common Stock Offered

An underwriting group headed by Cruttenden, Podesta & Co. on Jan. 23 offer publicly 350,000 shares of $1 par value common stock of Arnold Altex Aluminum Co. at a price of $6.12½ per share.

The company and its subsidiaries manufacture and sell various types of aluminum windows and related products.

Of the 350,000 common shares, 250,000 shares were offered primarily by officers and directors and will reduce their combined holdings from 266,897 (42.4%) to 63,147 shares (10%).

The net proceeds from the sale of the remaining 100,000 shares are to go to the Arnold Altex Co. and are to be used to repay funds borrowed from James Talcott, Inc. and to equip and stock with inventory five new warehouses which will be opened by the company during the first quarter of 1959.

Associated in the offering with Cruttenden, Podesta & Co. are: First Securities Corp.; Fulton Reid & Co., Inc.; The Johnson, Lane, Space Corp.; Plymouth Bond & Share Corp.; Varnedoe, Chisholm & Co., Inc.; Baker, Simonds & Co., Inc.; Saunders, Stiver & Co.; Frank B. Bateman, Ltd.; Erwin & Co., Inc.; Livingston, Williams & Co., Inc.; Nolting, Nichol & Co.; Westheimer & Co.; Carr, Logan & Co.; A. M. Law & Co., Inc.; Lloyd Arnold & Co.; R. F. Campeau Co.; Clayton Securities Corp.; Mann & Gould; Morgan & Co.; Mullaney, Wells & Co.; Security Associates, Inc.; Sellers, Doe & Bonham; Zuckerman, Smith & Co.; Hudson White & Co.; and MacNaughton-Greenawalt & Co.

Avco Mfg. Debentures Offered Stockholders

Avco Manufacturing Corp. is offering to holders of its common stock the right to subscribe for $14,931,900 of 5% convertible subordinated debentures due Feb. 1, 1979 in the ratio of $100 principal amount of debentures for each 64 shares of common stock held of record on Jan. 26, 1959. The subscription price is 100% and the rights will expire on Feb. 10, 1959. The offering has been underwritten by a group of investment banking firms headed by Lehman Brothers and Emanuel, Deetjen & Co. who besides purchasing all debentures not subscribed for by stockholders under the rights offering, also have agreed to purchase an additional $68,100 principal amount of debentures.

Net proceeds from the sale of the debentures will be used by Avco to reduce short-term bank loans incurred to provide part of the funds for the construction and equipment of the Avco Research Center at Wilmington, Mass., on which the company has expended approximately $16,000,000 to date and anticipates the expenditure of approximately an additional $1,000,000.

The debentures are convertible into common stock at $11.50 a share. They will have the benefit of a sinking fund beginning Feb. 1, 1966 under which the company is required to retire $750,000 debentures in each year and may at its election retire up to an additional $750,000 annually. For the sinking fund the debentures will be redeemable at 100%.

Net sales of the company during the fiscal year ended Nov. 30, 1958 totaled $282,930,000 and net income was $9,556,000.

The major portion of the company's plants and facilities is devoted to research, development and production for government defense agencies, principally in the fields of space flight technology, ICBM nose cones, electronics, aircraft engines, airframe structures and missile components. In 1956 the company discontinued the major portion of its consumer goods business. The wholly-owned subsidiary, Crosley Broadcasting Corp., acquired in 1945, is in the business of radio and television broadcasting.

Private Sale Arranged By Eberstadt & Co.

Fairleigh Dickinson, Jr., President of Becton, Dickinson & Co., on Jan. 22 announced the placement of $7,000,000 of long-term notes with institutional investors.

Irving Trust Co. purchased $500,000 of senior notes, due Dec. 31, 1963. New York Life Insurance Co. purchased $3,100,000 of senior notes, due Dec. 31, 1978, and $1,400,000 of subordinated notes, due Dec. 31, 1983. The General Electric Co. pension trust purchased $1,400,000 of senior notes and $600,000 of subordinated notes. F. Eberstadt & Co. negotiated the placement of these securities.

Proceeds of the financing will be used to retire debt and increase working capital.

Becton, Dickinson & Co. produces an extensive line of medical and surgical instruments, including hypodermic needles, syringes, clinical thermometers, surgical blades and culture media. The company's principal plant is located at East Rutherford, N. J. Other domestic plants are located in Connecticut, Nebraska, Ohio, Maryland and Pennsylvania. Foreign subsidiaries operate in Canada, Puerto Rico, Panama, Mexico, Brazil and France.

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)	Feb. 1	§78.1	*72.6	76.2	54.1
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 1	§2,212,000	*2,056,000	2,058,000	1,459,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 16	7,087,285	7,051,835	7,097,335	6,924,535
Crude runs to stills—daily average (bbls.)	Jan. 16	¶8,129,000	8,245,000	7,922,000	7,675,000
Gasoline output (bbls.)	Jan. 16	28,488,000	28,689,000	28,356,000	26,724,000
Kerosene output (bbls.)	Jan. 16	3,234,000	3,102,000	2,455,000	2,712,000
Distillate fuel oil output (bbls.)	Jan. 16	14,751,000	14,532,000	13,872,000	13,733,000
Residual fuel oil output (bbls.)	Jan. 16	7,629,000	7,549,000	7,553,000	7,132,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 16	190,748,000	190,024,000	178,599,000	200,636,000
Kerosene (bbls.) at	Jan. 16	23,235,000	25,363,000	27,936,000	25,343,000
Distillate fuel oil (bbls.) at	Jan. 16	109,656,000	119,107,000	138,182,000	135,406,000
Residual fuel oil (bbls.) at	Jan. 16	59,368,000	59,991,000	60,668,000	57,952,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 17	586,254	550,090	570,927	572,886
Revenue freight received from connections (no. of cars)	Jan. 17	534,064	476,381	546,505	535,234
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 22	$388,080,000	$301,583,000	$307,597,000	$218,880,000
Private construction	Jan. 22	181,677,000	125,058,000	121,925,000	93,338,000
Public construction	Jan. 22	206,403,000	176,525,000	185,672,000	125,542,000
State and municipal	Jan. 22	109,377,000	128,415,000	163,757,000	97,497,000
Federal	Jan. 22	97,026,000	48,110,000	21,915,000	28,045,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 17	8,290,000	*8,195,000	9,030,000	8,440,000
Pennsylvania anthracite (tons)	Jan. 17	587,000	546,000	558,000	556,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 17	116	121	304	110
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 24	13,394,000	13,324,000	12,379,000	12,399,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 22	296	294	185	333
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 20	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Jan. 20	$66.41	$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Jan. 20	$41.17	$40.50	$39.83	$34.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 21	28.625c	28.600c	28.600c	24.425c
Export refinery at	Jan. 21	27.950c	28.100c	26.975c	21.025c
Lead (New York) at	Jan. 21	13.000c	13.000c	13.000c	13.000c
Lead (St. Louis) at	Jan. 21	12.800c	12.800c	12.800c	12.800c
‡Zinc (delivered) at	Jan. 21	12.000c	12.000c	12.000c	10.500c
Zinc (East St. Louis) at	Jan. 21	11.500c	11.500c	11.500c	10.000c
Aluminum (primary pig. 99%) at	Jan. 21	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Jan. 21	99.750c	98.875c	99.000c	91.625c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 27	85.13	85.04	86.46	93.98
Average corporate	Jan. 27	89.64	90.06	90.20	96.07
Aaa	Jan. 27	93.67	94.41	94.56	103.30
Aa	Jan. 27	92.35	92.79	93.23	99.68
A	Jan. 27	89.78	89.92	89.78	96.85
Baa	Jan. 27	83.53	83.79	84.04	85.59
Railroad Group	Jan. 27	88.13	88.67	88.27	91.77
Public Utilities Group	Jan. 27	89.37	39.64	90.06	97.78
Industrials Group	Jan. 27	91.62	91.91	92.35	98.57
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 27	3.92	3.93	3.78	3.01
Average corporate	Jan. 27	4.44	4.41	4.40	4.00
Aaa	Jan. 27	4.16	4.11	4.10	3.55
Aa	Jan. 27	4.25	4.22	4.19	3.77
A	Jan. 27	4.43	4.42	4.43	3.95
Baa	Jan. 27	4.90	4.88	4.86	4.74
Railroad Group	Jan. 27	4.55	4.51	4.54	4.29
Public Utilities Group	Jan. 27	4.46	4.44	4.41	3.89
Industrials Group	Jan. 27	4.30	4.28	4.25	3.84
MOODY'S COMMODITY INDEX	Jan. 27	385.3	385.7	392.0	392.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 17	269,666	††316,150	255,176	255,702
Production (tons)	Jan. 17	305,773	††303,880	295,919	281,999
Percentage of activity	Jan. 17	93	††78	91	90
Unfilled orders (tons) at end of period	Jan. 17	379,895	††416,078	364,444	377,663
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 23	111.55	110.57	109.15	108.49
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 3	2,275,860	1,431,270	2,657,090	1,661,710
Short sales	Jan. 3	352,000	226,040	410,010	209,250
Other sales	Jan. 3	1,927,030	1,145,050	2,037,880	1,408,310
Total sales	Jan. 3	2,279,030	1,371,090	2,447,890	1,617,560
Other transactions initiated on the floor—					
Total purchases	Jan. 3	425,310	208,370	581,310	335,910
Short sales	Jan. 3	35,600	14,000	36,900	19,010
Other sales	Jan. 3	384,440	211,240	548,440	301,610
Total sales	Jan. 3	420,040	225,240	585,340	320,620
Other transactions initiated off the floor—					
Total purchases	Jan. 3	772,710	413,200	900,570	529,591
Short sales	Jan. 3	130,840	81,600	125,840	74,290
Other sales	Jan. 3	705,307	361,660	858,765	417,040
Total sales	Jan. 3	836,147	443,260	984,605	491,330
Total round-lot transactions for account of members—					
Total purchases	Jan. 3	3,473,880	2,052,340	4,138,970	2,527,211
Short sales	Jan. 3	518,440	321,640	572,750	302,550
Other sales	Jan. 3	3,016,777	1,717,950	3,445,085	2,126,960
Total sales	Jan. 3	3,535,217	2,039,590	4,017,835	2,429,510
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	Jan. 3	1,553,248	884,168	1,588,793	1,478,388
Dollar value	Jan. 3	$83,646,908	$47,440,763	$73,836,477	$53,115,822
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 3	1,436,693	866,043	1,550,232	1,332,090
Customers' short sales	Jan. 3	5,683	4,279	8,853	9,389
Customers' other sales	Jan. 3	1,431,280	861,764	1,541,379	1,322,701
Dollar value	Jan. 3	$71,023,101	$44,494,109	$71,225,175	$45,181,849
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 3	409,010	285,840	468,220	396,200
Short sales	Jan. 3	------	------	------	------
Other sales	Jan. 3	409,010	285,840	468,220	396,200
Round-lot purchases by dealers—					
Number of shares	Jan. 3	530,290	287,725	542,120	520,530
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	Jan. 3	629,810	380,430	735,130	457,890
Other sales	Jan. 3	14,917,080	8,939,200	17,848,630	13,026,630
Total sales	Jan. 3	15,546,890	9,319,630	18,583,760	13,484,520
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 20	119.6	119.4	119.3	118.8
Farm products	Jan. 20	92.3	91.5	91.3	94.2
Processed foods	Jan. 20	109.2	*109.0	108.7	109.1
Meats	Jan. 20	103.3	103.2	102.4	101.0
All commodities other than farm and foods	Jan. 20	127.4	127.3	127.2	126.0

*Revised figure. ¶Includes 917,000 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. ††Ten days ended Jan. 10, 1959.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of December (in millions):			
Total new construction	$4,024	$4,448	$3,763
Private construction	2,887	3,119	2,737
Residential buildings (nonfarm)	1,605	1,741	1,365
New dwelling units	1,260	1,330	1,050
Additions and alterations	288	354	265
Nonhousekeeping	57	57	50
Nonresidential buildings	722	760	799
Industrial	176	178	277
Commercial	305	327	306
Office buildings and warehouses	163	167	178
Stores, restaurants, and garages	142	160	128
Other nonresidential buildings	241	255	216
Religious	78	81	74
Educational	50	52	46
Hospital and institutional	49	50	51
Social and recreational	39	42	27
Miscellaneous	25	30	18
Farm construction	100	114	100
Public utilities	444	487	459
Railroad	19	21	32
Telephone and telegraph	66	71	78
Other public utilities	359	395	349
All other private	16	17	14
Public construction	1,137	1,329	1,026
Residential buildings	88	84	54
Nonresidential buildings	361	379	343
Industrial	28	30	31
Educational	227	229	226
Hospital and institutional	32	37	25
Administrative and service	41	47	31
Other nonresidential buildings	33	36	30
Military facilities	110	125	97
Highways	350	485	334
Sewer and water systems	109	117	99
Sewer	69	72	62
Water	40	45	37
Public service enterprises	30	35	25
Conservation and development	74	88	67
All other public	15	16	7
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of December:			
Manufacturing number	185	190	208
Wholesale number	118	108	96
Retail number	515	550	514
Construction number	176	176	174
Commercial service number	88	97	88
Total number	1,082	1,121	1,080
Manufacturers' liabilities	$18,411,000	$19,496,000	$14,985,000
Wholesale liabilities	10,613,000	5,309,000	5,527,000
Retail liabilities	14,397,000	16,549,000	16,028,000
Construction liabilities	10,058,000	9,483,000	5,713,000
Commercial service liabilities	3,590,000	5,881,000	3,072,000
Total liabilities	$57,069,000	$56,718,000	$45,325,000
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE — Month of November (000's omitted)	$298,000	$771,500	$325,000
COTTON AND LINTERS—DEPARTMENT OF COMMERCE—RUNNING BALES:			
Consumed month of November	672,838	833,366	651,599
In consuming establishment as of Nov. 29	1,425,137	1,343,141	1,443,569
In public storage as of Nov. 29	11,913,791	10,269,041	11,354,214
Linters—Consumed month of November	90,146	104,211	103,416
Stocks Nov. 29	827,437	777,239	843,919
Cotton spindles active as of Nov. 29	17,611,000	17,650,000	18,133,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of November:			
Cotton Seed—			
Received at mills (tons)	1,112,360	1,643,020	931,617
Crushed (tons)	598,734	712,407	610,411
Stocks (tons) Nov. 30	1,951,081	1,437,455	1,233,215
Crude Oil—			
Stocks (pounds) Nov. 31	163,368,000	122,625,000	127,828,000
Produced (pounds)	205,160,000	239,110,000	203,699,000
Shipped (pounds)	152,982,000	155,344,000	146,271,000
Refined Oil—			
Stock (pounds) Nov. 31	130,537,000	103,322,000	113,978,000
Produced (pounds)	142,372,000	143,997,000	133,777,000
Consumption (pounds)	119,590,000	120,921,000	109,610,000
Cake and Meal—			
Stocks (tons) Nov. 30	106,724	116,105	261,578
Produced (tons)	283,913	329,102	280,242
Shipped (tons)	293,294	284,212	268,047
Hulls—			
Stocks (tons) Nov. 30	121,533	121,677	96,248
Produced (tons)	137,882	160,223	131,667
Shipped (tons)	138,026	128,972	112,738
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Nov. 29	20,726,000	20,697,000	21,103,000
Spinning spindles active on Nov. 29	17,611,000	17,650,000	18,133,000
Active spindle hours (000's omitted) Nov. 29	8,389,000	10,496,000	8,231,000
Active spindle hours for spindles in place Nov.	419.4	419.8	411.6
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of November:			
Sales (average monthly), unadjusted	151	143	155
Sales (average daily), unadjusted	160	135	*159
Sales (average daily), seasonally adjusted	125	128	124
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of September:			
Net railway operating income	$93,564,725	$91,798,958	$84,173,722
Other income	19,887,892	23,030,237	20,141,390
Total income	113,452,617	114,829,195	104,315,112
Miscellaneous deductions from income	4,507,051	4,247,381	4,957,613
Income available for fixed charges	108,945,566	110,581,814	99,357,499
Income after fixed charges	77,114,731	78,743,852	68,272,826
Other deductions	4,376,690	4,242,434	4,247,445
Net income	72,738,041	74,501,418	64,025,381
Depreciation (way & structure & equipment)	50,289,863	50,477,428	49,066,369
Federal income taxes	35,826,867	26,750,792	28,444,137
Dividend appropriations:			
On common stock	21,028,959	32,167,728	22,413,468
On preferred stock	834,205	4,514,676	906,297
Ratio of income to fixed charges	3.43	3.47	3.20
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Dec. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$288,000,000	$288,000,000	$275,000,000
Outstanding—			
Total gross public debt	282,922,423	283,059,927	274,897,784
Guaranteed obligations not owned by the Treasury	108,777	107,105	104,361
Total gross public debt and guaranteed obligations	$283,031,201	$283,167,033	$275,022,145
Deduct—other outstanding public debt obligations not subject to debt limitation	424,227	425,588	438,507
Grand total outstanding	$282,606,973	$282,741,444	$274,563,638
Balance face amount of obligations, issuable under above authority	5,393,026	5,258,555	436,361

Mutual Funds

By ROBERT R. RICH

Tax-Exempt Bond Fund Bills Re-Introduced

The National Committee for Municipal Bonds, Inc., 161 East 42nd Street, New York City, reports that Representative A. S. Herlong, Jr., Democrat of Florida, and Representative Thomas B. Curtis, Republican of Missouri, are re-introducing bills H.R. 2340 and H.R. 2341.

The Herlong-Curtis bill is designed to attract investment companies to purchase state, revenue and municipal bonds. At the present time, tax-exempt bonds do not appeal to the investment companies because under existing law, interest and profits from such securities cannot be passed on to shareholders on a tax-free basis.

The pending legislation would permit the investment companies to pass the tax-exempt interest through to their shareholders without loss of the exemption en route. The enactment of these bills would provide an incentive for all investment companies to put a part of their funds into tax-exempt bonds.

The argument for the passage of this bill by Congress is that it will broaden the market for the constantly increasing bond issue requirements of state and local governments, and, as a result, serve to lower the interest charge on such financing. Additionally, the Congressional sponsors aver, the legislation would occasion but a slight loss of revenue to the Treasury since the bonds, as presently sold, are not subject to taxation as regards interest payments.

These present bills should not be confused with the past bills since there were two versions; the narrow bill which would have made it necessary for new mutual funds to be created in order to fulfill the requirement of having their portfolios 90% invested in tax-exempt issues, and the broad bill which placed no restriction on the amount of portfolio investment. The present bill would be classified as the broad type and would be much more productive in aiding the municipal bond market.

For the future, when the current legislation is enacted, there are several tax-exempt bond funds on the launching pad which will be placed in orbit, as well as many balanced funds that would become interested in broadening investment policy to include municipal securities.

Group's Assets Up 65% in Past Year

Group Securities, Inc., 25-year-old Mutual Fund, ended 1958 with assets of $152,000,000, an all-time high, and an increase for the year of 65%, according to Herbert R. Anderson, President.

Mr. Anderson attributed the year's increase of $60,000,000 in total assets to both appreciation of the fund's investments, as well as institutional and individual investor purchases during the year of more than $41,000,000 — substantially above the $16,140,000 for 1957. Included in these sales figures are conversions from one Group fund to another of $7,000,000 and $1,400,000 in the two years.

Shareholder accounts at Dec. 31, 1958 were 43,750, an increase of 6,582 during the year.

Mr. Anderson said that total net assets of the largest Group fund, The Common Stock Fund, grew 103% in the year to $55,279,000.

Tri-Continental's Assets Climb to New High Level

Investment assets of Tri-Continental Corporation, the nation's largest diversified closed-end investment company, rose to a record $392,054,570 at Dec. 31, 1958, from $303,413,142 12 months earlier, it was announced by Francis F. Randolph, Chairman, in the 29th annual report to stockholders. The market value of investments increased by $88,548,655 during 1958 for the largest gain in any single year in Tri-Continental's history, the Chairman noted. Exercise of warrants was off sharply from the previous year and not a significant factor in the gain in assets, as has been the case in some years.

Assets per common share, assuming the exercise of all warrants, increased sharply in 1958 to a new all-time high of $43.10 from $32.82 at the start of the year, Mr. Randolph reported. In terms of shares outstanding, assets were equivalent to $48.38, up from $36.42. Asset coverage for Tri-Continental's debentures was $21,708 per 1,000 of principal amount at the year-end, and coverage for the $2.70 preferred stock was equivalent to $461.30 per share. Comparable figures at the end of 1957 were $16,800 and $351.96, respectively.

Tri-Continental's investment income showed a gain for the 16th consecutive year, Mr. Randolph noted. The record $13,593,467 compared with $13,204,950 reported for 1957. Quarterly dividends paid to preferred and common stockholders in 1958 were increased $466,231 to $12,271,701. Total distributions to Tri-Continental's security holders in 1958, according to the Chairman, amounted to $19,315,239. This compared with $13,773,334 in 1957, and included a non-recurring extra payment to common stockholders of 97 cents a share.

Net long-term gain on investments totaling $11,761,363, or about $1.70 per common share, was realized by Tri-Continental in 1958, the report reveals. This was more than double the gain of $5,175,324, equivalent to 77 cents per share, realized in 1957. Mr. Randolph noted that this gain has been retained, in accordance with the corporation's established policy, and designated to common stockholders of record Dec. 31, 1958. A Federal income tax of 42½ cents per share will be paid on shareholders' behalf, and they will be entitled to write up the tax cost basis of their shares by $1.27½ per share. Net unrealized appreciation of investments, according to the report, amounted to $182,633,323 at the year-end, or $76,299,397 more than at the start of the year.

With respect to Tri-Continental's investment policy, Mr. Randolph brought out that "in keeping with the swing in the economy from recession to recovery in 1958, investments in common stocks were increased and holdings of fixed-income senior securities were reduced. As a consequence of this shift and higher common stock prices, portfolio common stocks had increased to 86.4% of investment assets at the close of 1958 from 75.1% 12 months earlier. Consolidating the holdings of Tri-Continental Financial, which continued to include a substantial proportion of senior securities, the proportion of common stocks stood at 82.5%, as compared with 69.8% a year earlier."

Public utilities, at 19.0% of investment assets, represented Tri-Continental's largest group of common stock holdings at the year-end. Oil stocks, at 12.5%, were second, followed by steels, 8.3%; electrical and electronics, 7.6%, and chemicals, 4.9%.

Tri-Continental's ten largest common stock holdings at the end of 1958 made up 23% of investment assets. They were: Minneapolis-Honeywell; Florida Power & Light; E. I. duPont; United States Steel; American Electric Power; International Business Machines; Republic Steel; Bethlehem Steel; Standard Oil of California, and Texas Co.

New common stock positions were established in the fourth quarter of 1958 with the purchase of shares of National Steel; Phelps Dodge; Anaconda, and Libbey-Owens-Ford Glass. Principal increases in common stock holdings were made in General Motors; Granite City Steel; Westinghouse Electric; Dresser Industries; Armco Steel; United States Steel; Skelly Oil; Texas Pacific Coal & Oil; and Lockheed Aircraft received upon conversion of bonds of that company.

During the same quarter, investment positions were eliminated in National Fuel Gas; Gillette; and Rochester Gas & Electric. Reductions in common stock holdings were made in San Diego Gas & Electric; Newport News Shipbuilding; General Foods; American Can; Warner-Lambert Pharmaceutical; United Aircraft; Winn-Dixie Stores; Minneapolis-Honeywell Regulator; Brooklyn Union Gas, and American Chicle.

Energy Fund's Shr. Value Up 45.2%; 10-for-1 Split OK'd

Shareholders of Energy Fund at their annual meeting on Jan. 20, approved the 10-for-1 stock split proposed by directors.

For the year ended Dec. 31, 1958, net asset value per share of Energy Fund increased 45.2%, including a capital gains distribution of $3.55 per share paid out during the period. Energy Fund, an open-end investment company, offering shares at net asset value, specializes in the broad range of energy industries and companies; and is managed by Ralph E. Samuel & Co., members of the New York Stock Exchange.

Net asset value per share at Dec. 31, 1958 was at a record high of $182.58—up from $128.18 one year ago. In the same period, total assets increased 60.7% to $5,786,282 from $3,601,765 at Dec. 31, 1957. Both shares outstanding and shareholders ended the period at record highs of 31,692 and 1,273 respectively. For the shares outstanding, this represents an increase of 12.8% and stockholders an increase of 37.5%.

In his letter to shareholders, Ralph E. Samuel, President of Energy Fund, pointed out that the growth of the Fund "is gratifying but only in line with our thesis that energy use grows faster than the general economy—hence, the appreciation in common stocks of well-selected energy companies should in turn be above average."

During the most recent three-month period, Energy Fund made new commitments of 2,000 shares of Pacific Automation Products, Inc. and 1,000 shares of San Diego Gas & Electric Company.

Eliminated from the portfolio were British Petroleum, Eastern Gas & Fuel, Fansteel Metallurgical, Hagan Chemicals and Controls, Magma Copper and O'Okiep Copper. Positions were significantly increased in Consolidated Edison of N. Y., General Dynamics, Packard-Bell, Peoples Gas Light & Coke, Philips' Gloeilampen (Fl. 1000) and Westinghouse Electric. Positions were reduced in American Potash & Chemical, Cutler-Hammer, Gulf Oil, Machlett Laboratories, Philadelphia & Reading, and Texas Instruments.

Commonwealth Income Assets At $8.6 Million

In the first annual report to Commonwealth Income Fund's shareholders, President S. Waldo Coleman said during the first full fiscal year of operations, ending Nov. 30, 1958, the fund's total net assets increased from $3,219,109 to $8,602,322.

Net asset value per share rose

to $9.14 on Nov. 30, 1958. This is equivalent to $9.45 per share, he added, when adjusted for the capital gains distribution of 31¢ per share payable Jan. 6, 1959. This compares with $7.41 per share a year earlier, amounting to a 27.5% increase. In addition, Mr. Coleman said, 42¢ per share was paid in dividends during the year.

Mr. Coleman also points out in the fund's first annual report: "While, for the most part, the companies in which the fund invests pay out as dividends a relatively large part of their current earnings, a company need not be classified as a "growth" company to have the prospect of growing with the country's over-all economy — both in business volume and earning power.

"No one can predict future dividends," Mr. Coleman continued. "But it is this opportunity for improvement which provides incentive to the investor in his choice of a variable income investment, as distinct from one providing fixed return."

H. D. Dowell Opens

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Herbert D. Daniel is conducting a securities business from offices at 412 North Oakhurst Drive.

DIVIDEND NOTICES

AMERICAN METER COMPANY
INCORPORATED

dividend notice

The Board of Directors, on January 22, 1959, declared a quarterly dividend of fifty cents ($.50) per share on the capital stock of the company, payable March 13, 1959, to stockholders of record at the close of business February 27, 1959.

W. B. ASHBY, *Secretary*
13500 Philmont Ave., Phila. 16, Pa.

DIVIDEND NOTICES

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of fifty-five cents per share payable on March 12, 1959 to stockholders of record at the close of business on February 11, 1959.

D. H. ALEXANDER, Secretary
January 21, 1959.

Atlas Corporation
33 Pine Street, New York 5, N. Y.

Dividend No. 11
on 5% Cum. Preferred Stock

- Regular quarterly of 25¢ per share
- Payable March 16, 1959
- Record February 20, 1959

WALTER G. CLINCHY, *Treasurer*
January 27, 1959

The American Tobacco Company

214TH COMMON DIVIDEND
and an EXTRA DIVIDEND

A regular dividend of One Dollar ($1.00) per share and an extra dividend of One Dollar ($1.00) per share have been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on March 2, 1959, to stockholders of record at the close of business February 10, 1959. Checks will be mailed.

January 27, 1959 HARRY L. HILYARD
Vice President and Treasurer

©A. T. Co.

FINANCIAL NOTICE

Notice to holders of
ARMOUR AND COMPANY
STOCK PURCHASE WARRANTS

The Board of Directors at its meeting January 8, 1959, declared a 10% stock dividend payable on March 12, 1959, to stockholders of record February 4, 1959.

The warrant states that no dividend shall be payable or accrue with respect to the warrant; further, the warrant does not provide for any adjustment of rights in the case of a stock dividend. Holders of warrants may exercise their rights to purchase Common stock, at $15.00 per share, on or before February 4, 1959, in order to become stockholders of record for the stock dividend.

A current prospectus on the Common stock may be obtained from one of the following:

Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill.
or
The Chase Manhattan Bank, New York, N.Y.

ARMOUR AND COMPANY
January 14, 1959 John Schmidt, *Secretary*

DIVIDEND NOTICES

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)
44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)
34 cents per share on its Common Stock ($15 par)

all dividends payable March 1, 1959, to stockholders of record February 13, 1959.

EDWARD L. SHUTTS, *Chairman*
January 26, 1959

Allied Chemical Corporation

DIVIDEND

Quarterly dividend No. 152 of $.75 per share has been declared on the Common Stock, payable March 10, 1959, to stockholders of record February 13, 1959.

RICHARD F. HANSEN
Secretary
January 27, 1959

Allied Chemical

Continuous Cash Dividends Have Been Paid Since Organization in 1920

National Distillers and Chemical Corporation

N D
U.S.I.

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25¢ per share on the outstanding Common Stock, payable on March 2, 1959, to stockholders of record on February 10, 1959. The transfer books will not close.

PAUL C. JAMESON
January 22, 1959 Treasurer

DIVIDEND NOTICES

AMERICAN ELECTRIC
AEP
POWER COMPANY, Inc.

196th Consecutive Cash Dividend on Common Stock

A regular quarterly dividend of forty-two cents (42¢) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable March 10, 1959, to the holders of record at the close of business February 9, 1959

W. J. ROSE, Secretary
January 28, 1959.

TITLE GUARANTEE *and Trust Company*

DIVIDEND NOTICE

Trustees of Title Guarantee and Trust Company have declared a dividend of 32½ cents per share designated as the first regular quarter-annual dividend for 1959, payable Feb. 13, 1959 to stockholders of record on Jan. 30, 1959.

WILLIAM H. DEATLY • *President*

O'okiep Copper Company Limited

Dividend No. 49

The Board of Directors today declared a dividend of ten shillings per share on the Ordinary Shares of the Company payable March 3, 1959.

The Directors authorized the distribution of the said dividend on March 13, 1959 to the holders of record at the close of business on March 6, 1959 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately $1.39 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to March 3, 1959. Union of South Africa non-resident shareholders tax at the rate of 6.45% will be deducted.

By Order of the Board of Directors,
F. A. SCHECK, *Secretary.*
New York, New York, January 26, 1959.

Southern Railway Company

THE SOUTHERN SERVES THE SOUTH

DIVIDEND NOTICE

New York, January 27, 1959.

Dividends aggregating 3¾% on 3,000,000 shares of Preferred Stock of Southern Railway Company of the par value of $20 per share have today been declared out of 1958 earnings, payable as follows:

Amount	Date of Payment	To Stockholders of Record at the Close of Business on:
1¼% (25¢)	Mar. 13, 1959	Feb. 13, 1959
1¼% (25¢)	June 15, 1959	May 15, 1959
1¼% (25¢)	Sept. 15, 1959	Aug. 14, 1959

A dividend of seventy cents (70¢) per share on the Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1958, payable on March 13, 1959, to stockholders of record at the close of business on February 13, 1959.

J. J. MAHER, *Secretary*

DIVIDEND NOTICES

SUPERCRETE LTD.
ST. BONIFACE, MAN.

NOTICE OF DIVIDEND

Notice is hereby given that the Board of Directors has declared a stock dividend at the rate of two (2) fully paid and non-assessable Common Shares of the Capital Stock of the Company of the par value of twenty-five (25¢) cents each on every one hundred (100) outstanding Common Shares of the Company.

The said 2% stock dividend is allotted pro rata to the holders of Common Shares of record at the close of business on the 2nd day of February, 1959, and the shares so issued shall carry a date not later than the 20th day of February, 1959.

F. R. DUNSMORE, C. A.,
Secretary-Treasurer.

Sinclair OIL CORPORATION
600 FIFTH AVENUE
NEW YORK 20, N. Y.

COMMON STOCK DIVIDEND No. 113

On January 21, 1959 a regular quarterly dividend of 75 cents per share was declared on the Corporation's Common Stock, payable March 14, 1959 to stockholders of record at the close of business on February 14, 1959.

SINCLAIR
A Great Name in Oil

The United Gas Improvement Company

UGI

DIVIDEND NOTICE

A quarterly dividend of 55c per share on the Common Stock, par value $13.50 per share, has been declared payable March 31, 1959 to stockholders of record February 27, 1959.

A quarterly dividend of $1.06¼ per share on the 4¼% Preferred Stock has been declared payable April 1, 1959 to stockholders of record February 27, 1959.

J. H. MACKENZIE, Treasurer
Philadelphia, January 27, 1959

YALE & TOWNE
Declares 284th Dividend
37½¢ a Share

On Jan. 22, 1959, dividend No. 284 of thirty-seven and one-half cents per share was declared by the Board of Directors out of past earnings, payable on April 1, 1959, to stockholders of record at the close of business March 12, 1959.

Wm. H. MATHERS
Vice-President and Secretary

THE YALE & TOWNE MFG. CO.
Cash dividends paid in every year since 1899

THE SOUTHERN COMPANY
(INCORPORATED)

The Board of Directors has declared a quarterly dividend of 32½ cents per share on the outstanding shares of common stock of the Company, payable on March 6, 1959 to holders of record at the close of business on February 2, 1959.

L. H. JAEGER,
Vice President and Treasurer

THE SOUTHERN COMPANY SYSTEM
Serving the Southeast through:

ALABAMA POWER COMPANY
GEORGIA POWER COMPANY
GULF POWER COMPANY
MISSISSIPPI POWER COMPANY
SOUTHERN SERVICES, INC.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Dramatic things are occurring in the space and missile age. Within the next few years the experts are confident that man will be hurtling into space on route to the moon.

Here in the Nation's Capital one hears reports on all sides about the fast growing missile industry. Perhaps it will continue its spectacular growth for several years. The 1960 fiscal year budget calls for the expenditure of nearly $46,000,000,000, which would be the greatest amount of national security spending the United States has ever had in peacetime.

The proposal calls for major increases for exploration into outer space and for military application of the things that are learned. Expenditures for missiles alone will increase from $3,300,000,000 to $3,800,000,000 in 1960. At the same time, under the proposal before Congress, 1960 fiscal year expenditures for aircraft would drop from $6,900,000,000 during the current fiscal year to $6,200,000,000. This seems to be the pattern for the future years.

Actually, the missile, rocket and satellite programs, plus research, combined probably will total more than $7,000,000,000 a year in overall expenditures. Some of the scientists and engineers and the military predict that the $7,000,000,000 figure is a mere drop in the bucket as compared to future years.

There appears to be no doubt that the missiles industry is going to add substantially to the gross national product in this country. The industry thus far has placed four satellites into orbit, and has gained some extremely valuable information for the future and greater achievements that will come with time.

Rapid Growth Rate

The rapid growth of the industry may be emphasized by the overall spending by the military departments since fiscal 1949 when $98,000,000 was earmarked. The subsequent spending by fiscal years follows:

1950, $134,000,000; 1951, $784,000,000; 1952, $1,058,000,000; 1953, $1,166,000,000; 1954, $1,067,000,000; 1955, $1,470,000,000; 1956, $2,270,000,000; 1957, $4,470,000,000; 1958, $5,021,000,000, and 1959 (estimated), $7,000,000,000 plus.

The dollar amounts include research and development funds, ground support, equipment procurement, and site construction outlays, plus rocket and missile buying. Maintenance funds and personnel pay are not included in the overall figures.

U. S. vs. Russia

Meanwhile, intermittent political outbursts are emanating from Capitol Hill. For instance, Senator Stuart Symington, of Missouri, who hopes political lightning will strike next year and he obtains the Democratic presidential nomination, declares that Russia is superior to the United States in the missile field. Perhaps that is correct as far as it goes.

Many people are asking: With our superior resources why are the Soviets ahead? The answer, at least in part is—a dictatorship can take a short cut, whereas a democracy cannot do so.

Qualified people in Washington, who devote their fulltime to keeping track of the missile industry, insist that the industry has just passed the research stage and is now getting into production. They predict freely that production probably will double within the next five years, and probably in about two years.

There is a lot at stake. The big companies are already in the field. The industry has been so complex, that smaller companies have had to feel their way along. Incidentally, since World War II there have been 170 missiles by name, but many of them have been discontinued. Since World War II there have been eight or 10 airplane companies turning out planes. The jet age came along, and now it has developed into the missile thing. The question now arises: What comes after the missile and space age?

Lausche's Forebodings

The missile development had its inception with Hitler's Youth Movement in Germany years ago. At the end of World War II Russia got most of the German scientists. Our country discouraged missile development for a few years after the war. That in substance is why the United States is lagging in some phases of the development.

Senator Frank J. Lausche, Democrat of Ohio, who can speak Russian, says reports from behind the Iron Curtain, unconfirmed of course, is that Russia has ready a total of 150 intercontinental missiles, each armed with an atomic warhead, ready to be aimed at as many vital United States targets.

The former longtime governor of Ohio is making talks advocating that the United States get busy and develop quickly a powerful anti-missile program. Meanwhile, it is pretty obvious that neither the United States nor Russia will stand still.

Many company officials or representatives have been making trips to the Redstone Arsenal at Huntsville, Ala., trying to find out what they can develop or produce for the growing industry. However, reports are officials there told them to contact the aircraft companies on the West Coast or the Pentagon. Some of the representatives have, naturally, been disappointed for the lack of business or the prospect of business in the future. Nevertheless, there are several hundred companies in this country that have something to do with missiles or will have in the months and years ahead.

New Science Committee

The House of Representatives has a new major standing committee called the House Science and Astronautics Committee. This committee appears destined to figure prominently in the news. Companies over the country may do well to follow the committee, as well as the Senate Armed Services Subcommittee on space age activities.

Representative Overton Brooks, who was the No. 2 man in seniority on the big House Armed Services Committee, is the first Chairman of the newly created House Science and Astronautics Committee. The 62-year-old Louisianian gave up a lot to take the new committee position. The committee has 25 members.

The Congressman believes that some day Congress will create a department of science because of its growing importance in the daily lives of all the people. Such a department would be headed by a cabinet officer like the Department of Agriculture or the Department of State.

"At the rate we are traveling," said Mr. Brooks, "space travel is not far away. It is right in our own back yard now. More and more science is going to play a great part in our lives, both in a military way and civilian use."

The 1958 Act

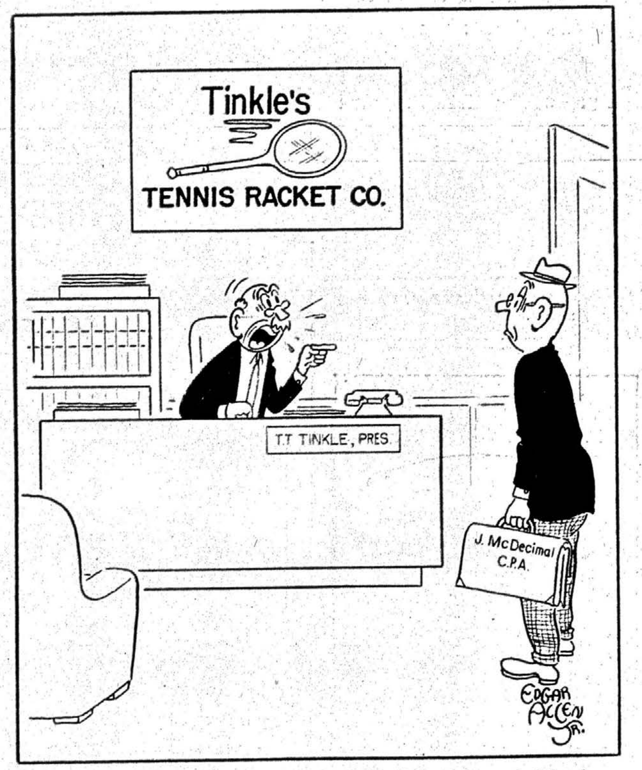
The National Aeronautics and Space Act of 1958 blazed the way for the House Science and Astronautics Committee. Under the law the areonautical and space activities of the U. S. shall be conducted to contribute materially to several things. These include the expansion of human knowledge of phenomena in the atmosphere and space, the improvement of the usefulness, performance, speed, safety and efficiency of aeronautical and space vehicles.

As the race—economics and military — speed on between the two great powers of the World, an old question in a new age has been raised with greater emphasis: Just think what it would mean if most or two-thirds of the $46,000,000,000 for national security which the President has proposed, could be used for the American people in the way of tax reduction, medical research, and a hundred and one other things?

Senator Allen J. Ellender of Louisiana, who with Senator Theodore Francis Green, of Rhode Island, are the two most traveled men in the United States Congress, declares that the United States and Russia must find ways and means of living side by side. Said he: "I'm not afraid of the Russians, but they do want us to destroy our economy, and we will unless we sharply cut our spending."

[*This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.*]

BUSINESS BUZZ



"In making out my income tax I wish you would stop listing my occupation as racketeer!"

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Ruth L. Mitchell has been added to the staff of Bache & Co., 1000 Baltimore Avenue.

With Reynolds & Co.

LANCASTER, Pa. — Charles J. Martin has been appointed sales manager of the local office of Reynolds & Co., 61 North Duke St.

Treasury "Firmly" Against Any Rise In the Price of Gold

The Treasury Department, on Jan. 19, announced as follows:

Robert B. Anderson

"The fact that bills proposing a change in the price of gold may be introduced by individual Members of the Congress should not be interpreted as meaning such action will happen. In the last session of the Congress, some 20,000 bills were introduced and only about 1,200 were enacted into law.

"The Treasury's position today is exactly the same as given by Treasury Secretary Anderson at New Delhi last October when he stated that the U. S. Government firmly adheres to the position that the price of gold in U. S. dollars should remain unchanged. The assured interchangeability of gold and dollars at $35 per ounce for the settlement of international accounts is a basic element of strength in the international financial structure."

COMING EVENTS

In Investment Field

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

Feb. 3, 1959 (Detroit, Mich.)
Detroit Stock Exchange 52nd annual dinner at the Statler Hilton 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.

June 18, 1959 (Minneapolis- St. Paul, Minn.)
Twin Cities Bond Club 38th annual picnic and outing at White Bear Yacht Club, White Bear Lake, Minn. (preceded by a cocktail party June 17 at the Nicollet Hotel, Minneapolis).

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.