ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 189 Number 5818 New York 7, N. Y., Thursday, February 5, 1959 Price 50 Cents a Copy

EDITORIAL

As We See It

"Comrade" Khrushchev the other day added fuel to a fire already burning brightly in this country when he assured the faithful that Soviet production would increase at an annual rate of 8% or 10% during the next seven years as compared with a current rate of 2% in this country. Not only a Democratic "opposition" eager to make hay of every blade of grass, but a good many others in the United States have of late been exercising themselves about the rate of growth of our "economy." There are those who are insistent that we increase that rate by one means or another (usually by government policies which ape the Russians) to 5% per annum in order to keep ahead of the Soviets. Of such stuff much of the New Deal dogma and New Deal programs have for years past been made.

There are few subjects about which more pure buncombe is heard than about this matter of the rate of growth of "the economy," and unfortunately it is not altogether confined to professional reformers or the politicians eager to find a sure way to continue in public office. Few take the time or the pains to explain or even to tell themselves precisely what they mean by "growth of the economy." Just what is it that they are concerned about? A higher rate of growth in productive capacity? A more rapid increase in actual production? And, are they quite indifferent as to what it is that we produce or have the capacity to produce? From much of what is being said and written, one would assume that such questions as these have not even entered the minds of those who contribute so steadily and so voluminously

Continued on page 30

Business and Stock Outlook For Long-Term Investor

By STEPHEN M. JAQUITH*

Partner, in Charge of Investment Advisory Dept. Model, Roland & Stone, New York City; Members N.Y.S.E.

The important viscera of the economy and trends in key industries are said to presage materially higher stock prices over the long-term, according to Mr. Jaquith. The investment analyst deems it unlikely for the market to repeat its one-way 1958 performance in cautioning that the market may require a consolidation period sometime in 1959. The writer suggests certain investment principles and assumptions for the investor and, for example, states: (1) common stocks are superior investments to fixed income securities; (2) new peaks in stock prices are not to be feared; and (3) current price-earnings ratios are not high compared to previous recovery periods and might well become higher with lower yields

Let us first consider the Gross National Product. This most widely used, and most comprehensive measure of the economy reached a new record annual rate of $453 billion in the fourth quarter of 1958. This was a gain of about $14 billion over the rate for the third quarter of 1958, and exceeds the previous high point reached in the third quarter of 1957 by more than $7 billion. The decline from peak to trough was steeper in 1957-58 than in the 1948-49 and 1953-54 recessions. However, the $27 billion recovery in Gross National Product has been the quickest on record for the postwar period. Each successive quarter since the trough, reached in the first quarter of 1958, has shown increasing gains. Gross National Product is a dollar yardstick of the total value of goods and services produced. Its three principal components are personal consumption

Stephen M. Jaquith

Continued on page 28

*An address by Mr. Jaquith at the Annual Sales Conference of Slayton & Co., Inc., national distributors of Managed Funds, Inc., St. Louis, Mo., Jan. 30, 1959.

Quarterly Investment Company Survey

Funds Aggressively Support Big Bull Market

By A. WILFRED MAY

Analysis of investment companies' portfolio operations during fourth quarter of 1958 discloses accelerated channeling of their assets into common stocks. Investing policies toward individual industries reveal continuation of previous shift from defensive to cyclical issues. Industry groups particularly favored include electronics, chemicals, insurance, copper, machinery, oils, rails, rubbers, steels, and tobaccos. Philips' Lamp Works top-favorite issue, with Royal Dutch runner-up. Bank stocks sold. Substantial selling accompanied buying in drugs, food, gold-mining, natural gas, paper, utilities.

[*Tables appearing on pages 22 and 27 show Fund's comparative investment positions; total common stock and other securities transactions; and individual common stock transactions by industry groups.*]

Scrutiny of the expert fund managers' investing policies and attitudes is particularly important as revealed during the past year's closing quarter, when the stock market so sensationally surged on to new all-time highs. And apart from the question of how great an influence the funds (whose holdings constitute 4% of the value of all Stock Exchange listed stocks) exert on the market price structure, the policies practised by this top-expert segment of the investment community in meeting the present "inflation-versus-high-market-level" problems is highly interesting.

Our study of portfolio operations discloses an extension of the overall bullishness that was re-initiated during the preceding quarter, also a period of rising prices. Buying of common stocks exceeded selling substantially, and in fact to an even greater degree than during the third quarter of 1958, as measured both by dollar volume and the number of funds. Such purchases by all the funds exceeded sales by as much as 77%, as

Continued on page 20

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 38.

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.)

ALAN R. KAHN
Economics Major,
Columbia University, New York City

Syntex, S. A.

The turbulent condition of today's market has not affected all stocks equally. Among the ethical drug stocks, some are likely fully priced — some may not be so. One that I feel belongs in this latter class is Syntex, S. A.

Alan R. Kahn

"Syntex" is as yet a little known American producer of complex drugs. Privately owned until acquired by Ogden Corporation in 1956, it was distributed in 1958 to the Ogden shareholders. Its Over-the-Counter price range since then has been between about 8 and 17—during most of this time closer to the higher price.

"Syntex" pioneered in using barbasco root, which grows wild in Mexico, as the starting material for the production of numerous steroid hormone products. This botanical source has proved to be more economical and plentiful for large-scale commercial use than previous sources, primarily animal.

The principal plant is in Mexico City and there is a smaller plant in Puerto Rico. The New York subsidiary sells certain "Syntex" products including those offered for veterinary use.

"Syntex" supplies these advanced steroid hormones to major U. S. and European pharmaceutical firms. Among these are corticosteroids and their intermediates, which account for a significant portion of "Syntex" sales. Most of the remainder include progestational and other finished sex hormones which are sold in bulk to other drug firms. "Syntex" is in fact a major steroid research and production pharmaceutical company. Their research staff now exceeds 105 trained research specialists out of some 900 workers.

To date, their steroid products have been sold primarily in bulk to others. Very recently they organized their own integrated pharmaceutical company [including sales organization] in Mexico. It is possible that this will be followed by a move to accomplish the same objective in the U. S. "Syntex" may also make certain marketing arrangements with major U. S. producers and in that way participate to a greater extent in the vast American market.

The major thing to note is that the "steroid" field, among all drug groups, is now conceded to have the most promising future. Products presently marketed in bulk are used in treating arthritis, rheumatism, and as sex hormones. In addition to these, "Syntex" researchers seem to be able to discover many new complex steroids. Their patents and patent applications are believed to number in the hundreds.

Potential uses are quite impressive. Undergoing tests are such drugs shown to have a significant effect in treating breast cancer, regulating conception; anti-inflammatory uses and diuretics, etc.

The present Syntex Company has already spent over $7 million in research. It has a staff of exceptional talent under the direction of Drs. Rosenkranz, Zaffaroni and Djerassi. It enjoys close scientific relations with many of the major drug firms both in Europe and in the U. S. A.

"Syntex" has about 1.3 million shares outstanding (assuming preferred conversion). Over the past five years these shares have earned an average of almost $1 per share per year. Over the last one and a half years earnings have been entirely diverted to stepping up research. The balance sheet is sound with a 3-to-1 current ratio.

Management owns over 10% of the stock directly and has a significant interest in future earnings.

It seems to this writer that here is a real growth ethical drug stock at a price which still leaves room for substantial appreciation. In a rather excited market for drug shares "Syntex" is one of the few issues selling at a low price, with a modest capitalization and with projected genuine growth which must follow their own exceptional research results.

WALTER M. ROBINSON
Partner, J. C. Bradford & Co.
Nashville, Tenn.

General Shoe Corporation (soon to be known as GENESCO, Inc.)

General Shoe Corporation, now the fourth largest manufacturer in the industry, was organized 35 years ago in Nashville, Tennessee, as a modest one plant operation by the late J. F. Jarman (father of W. Maxey Jarman, present Corporation Chairman and Chief Executive Officer) and William H. Wemyss, recently retired. [Subject to stockholder approval, the company's corporate name will be changed, effective March 2 to GENESCO, Inc., as more truly representative of its present growth to world-wide manufacturing and retailing operations.]

Today, the firm is a far-flung enterprise with 39 manufacturing plants in the United States, affiliations in 16 foreign countries and 650 retail units in active operation.

General has consistently pursued an aggressive sales program which has brought it the reputation of being a "growth" company in an industry noted for stability. From 1940 to 1958, shoe production in the United States increased from 404,000,000 pairs to 598,000,000 pairs, or 48%. Meanwhile, General Shoe jumped its sales volume from $17.5 million to $218 million, or 1150%.

In the first decade following World War II, earnings per share increased 158%, dividends 200%, and the book value 175% (adjusted for a 100% stock dividend in 1956). It is obvious that General's progress has resulted from its ability to obtain a rapidly and continuously increasing share of the market.

The fiscal year ended Oct. 31, 1958 was not a good year for the industry generally, three of the five major companies having reduced their dividends in this period. General earned $1.89 on its common and maintained the $1.50 dividend. It is noteworthy, however, that substantial improvement has been registered in the past six months. Earnings for the last half of the fiscal year were $1.12 per share of which 75 cents came in the final quarter. This compares with first half earnings of only 77 cents, barely covering the dividend. Sales for November and December, the first two months of the current fiscal year, are 12% above a year ago, and earnings for the first quarter are estimated at 55 cents, up nearly 40% from the like period of 1958. For December alone, pre-tax earnings were $1,360,000, about 50% ahead of the $1,245,000 reported for December, 1957.

I estimate net sales for the full fiscal year of $249,000,000 against $218,815,000 for the past year, an increase of approximately 14% and earnings available for common stock of $2.50 per share. This would provide a very comfortable coverage of the $1.50 dividend (yielding 5% at the present market of 30) and a quite reasonable price earnings multiple of 12.

I believe this projection to be a minimum expectancy in view of the following developments:

(1) During the recent recession efficiencies were initiated which are now paying off handsomely. Overhead costs have been reduced $1,000,000 on an annual basis. This means roughly 40 cents per share, pre-tax, on the company's 2,471,867 common shares. Costs savings measures are under continuing study.

(2) The various companies that have been acquired by General Shoe in the past several years have required a good deal of extra effort in strengthening their management and in coordinating and consolidating them with the operation of the company. Good progress has been made along these lines and it is expected that these divisions will make increasing contributions to the over-all profit picture.

(3) Research and development is coming in for increased attention. The company, as pointed out in the Annual Report, is research-conscious and the recent acquisition of Safety First Shoe Co. of Holliston, Mass., whose operation features a new vulcanized process, is indicative of management's attitude toward utilizing new processes.

This acquisition is also noteworthy in that it was consummated with the approval of the Department of Justice. Under the terms of a consent decree, which expires about two years hence, General may make additional acquisitions with the approval of the Department of Justice or the local Federal District Court. In the opinion of company officials the consent decree is not harmful to the company.

(4) Throughout the organization emphasis is placed on manpower development. Management is constantly growing in depth. When the untimely death at age 49 of Henry W. Boyd, President, occurred in February, 1958, the Board reached into the company's Vice-Presidential ranks and elevated hard-driving, company-trained, 43-year-old Ben H. Willingham as successor. He has been with General Shoe 26 years. His leadership under the dynamic Chairman, Maxey Jarman, age 55, is imaginative and aggressive.

(5) The company's financial position is exceptionally strong. Current ratio is almost 8 to 1 and cash of $12,000,000 alone exceeds total current liabilities.

(6) The company is still expansion-minded. Plans are near completion for the construction of a modern plant and office building

Continued on page 47

This Week's Forum Participants and Their Selections

The Challenge to the Dollar

By GEORGE CHAMPION*

President, The Chase Manhattan Bank, New York City

In citing such topics as potential trouble affecting our currency's future and in appealing for wholehearted public support of the President's balanced-budget aims, Mr. Champion focuses attention on the crucial need for a strong and widely respected U. S. dollar. The New York banker discusses the dangers we must guard against; points out that increased dollars held in foreign accounts isn't bad in itself; and decries spending increases in areas other than national defense and foreign aid. The banker reminds us we continue to be in a war not of our own choosing and we must face up to our problems in order to succeed.

The life of every American is inextricably bound up with what happens to the nation's international position. So interdependent has the world become — so interrelated are the domestic and world economies — that none of us can escape the consequences of a basic change in our relations with other nations. And yet in the past several years some rather disturbing trends have developed which suggest such a change may actually be under way unless we act with vigor and courage to head it off.

George Champion

Let me point to just three items which suggest we ought to dig beneath the surface to unearth any fundamental disturbance that may be in the making.

Item One: Our nation has experienced a sizable gold outflow over the past year. For 1958 as a whole we shipped abroad about $2.3 billion of gold, and our total gold stock today has fallen to around $20 billion—still a sizable figure, but the lowest since 1946. During the recession a year ago, with interest rates falling, there were good reasons why the United States should lose some gold. But the outflow has been persistent and is continuing today, although at a reduced rate.

Item Two: United States exports have fallen rather sharply. Our exports actually fell from a peak rate of $21 billion annually in mid-1957 to a recent rate of about $17 billion. This decline in foreign sales was a major contributor to the drop in domestic output in early 1958.

Item Three: We are hearing increasing talk (most of it from abroad) that the dollar may be heading toward a period of severe trouble. Far-fetched as it may seem, there are reputable analysts in Britain and on the Continent who even predict eventual devaluation of the dollar.

Actually these symptoms—these surface manifestations of potential trouble—are all interrelated. They involve the sum total of our economic relations with other peoples, relations which finally come to be reflected in the balance of payments between the United States and other nations. Most of us, I am sure, never look at this particular balance sheet. Yet buried in the fine print are certain trends which we all ought to know something about.

Foreigners Have Dollars to Spend

For one thing, it may not be widely appreciated that the volume of dollars the United States is providing other nations has increased immensely in recent years. Moreover, most of these dollars are not tied to any specific exports. Take, as an example, the heavy expenditures that are made in connection with American military forces abroad. Today our Government pays for the support of troops in Germany, England, Japan and at dozens of other far-off bases. And of course the men themselves spend their pay. The result is an outlay of more than $3 billion to countries which are the hosts of our military men. At the same time a dozen other streams are feeding dollars abroad—the imports we buy (which are steadily increasing), our foreign aid, and the private foreign investment we send to other countries among them. This foreign investment alone has more than doubled since 1955.

When all these dollar streams converge, they make a mighty river. Last year the sum total of dollars provided to other countries came to the impressively large figure of $26 billion. And it is a significant fact that, counting the world as a whole, not all these dollars are being spent. Indeed, over the past decade many individuals and many countries have sought to save dollars rather than to spend them. As a result the dollar balances and short-term investments held on foreign account in the United States have more than doubled and now exceed $15 billion.

Now this increase in dollars held in foreign accounts isn't bad in itself. Over much of the postwar period the free world suffered from a dollar shortage. It became the objective of governments and central banks to build up their stock of dollars, and to hold dollars was regarded as being as good as holding gold. For some countries this dollar shortage still persists — India, the Philippines, Brazil and Argentina are examples. Many such countries are lesser developed lands to which we channel much of our aid. But

Continued on page 32

*An address by Mr. Champion before the Los Angeles Rotary Club, Los Angeles, Calif., Jan. 30, 1959.

INDEX

†See Cover Page article dealing with portfolio operations of Investment Companies in final quarter of 1958.

*See article on Cover Page.

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers

25 Park Place, New York 7, N. Y.

REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher

WILLIAM DANA SEIBERT, President

Thursday, February 5, 1959

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613).

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

Subscription Rates

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

Other Publications

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

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

Lessons We Can Learn From Mikoyan's Visit

By HON. RICHARD M. NIXON*
Vice-President of the United States of America

On the day he received an honorary doctorate from Fordham, Vice-President Nixon delivered a paper evaluating our policy in the cold war in the light of Mr. Mikoyan's visit. Mr. Nixon concludes the undoubtedly new knowledge gained by the Russian visitor will not cause the U. S. S. R. to change its position and, therefore, it would be a "disastrous mistake" for us to relegate our economic aid and information programs to a lower priority level than our military defense. The Vice-President commends our labor leaders for their non-fawning and non-naive approach to Mr. Mikoyan and appeals to Americans to be worthy of their cause.

Mr. Mikoyan left these shores just a little over a week ago. Americans have disagreed and still disagree as to the ultimate results of this unusual tour. Some have stated strongly that his coming was definitely harmful to the best interests of the United States. Others are equally firm in their view that there was a net gain for the cause of freedom.


Richard Nixon

In resolving this controversy, I think it would be useful to examine the visit first in terms of what it did not do. There has been no change whatever in the positions previously taken by the United States and the Soviet Union on such major policy questions as Berlin, suspension of nuclear tests, and East-West trade. Mr. Mikoyan brought no new approach to these problems, offered none and did not recede in any respect from the rigid and dogmatic Soviet positions on these vital issues. And we on our side, with our allies not present, would not and did not suggest any changes in the policies which had been previously agreed upon.

Let us turn now to the negative aspects of the visit. First there was the considerable concern that developed in some allied capitals to the effect that this visit might mark an opening step toward eventual two-power meetings which would be designed to settle the problems of the world. On this score, I believe the results of the visit to which I have just referred should serve to reassure our allies that we reject the arrogant view that we should speak for them without consultation, much less dictate to them.

A second negative aspect of the visit is its possible effect on the millions of enslaved people in Poland, Hungary, and other satellite countries. Mr. Mikoyan's meetings with American officials will no doubt be played up as an indication that we have resigned ourselves to a continuation of their captive status and are about to forget them. I can state categorically that nothing could be further from the truth and that we continue to support the cause of freedom and independence for people everywhere.

A third negative aspect, considerably less serious than the first two, is that Mr. Mikoyan's charm may have lulled some of our people into a false sense of complacency. We shall certainly have to admit that he did an expert job of salesmanship considering the wares he had to sell. But I doubt if any significant number of the American people allowed the charm of his personality to obscure the Soviet record of the past which he helped to make.

Having in mind, as we should, the negative aspects of the visit, let us turn now to some of its positive results. On the plus side, I would place at the top of the list what Mr. Mikoyan learned about us in his two weeks in this country and what we in turn learned about him and the cause he represents.

I believe that it was most useful and important that a top Soviet leader should have an opportunity to get first-hand knowledge about the American people, our system of government and our way of life. There is no question but that a great deal of misunderstanding exists among Soviet leaders about the United States.

New Knowledge Gained by Mikoyan

In the first place, they do not understand our freedom of speech and our willingness to debate foreign policy in public. It is inevitable therefore that when they hear criticism of our current foreign policy from Americans travelling abroad, or in public debate here on such issues as Quemoy and Matsu, Lebanon or Berlin, they tend to conclude that we are far more divided than we are and that there is much stronger public support for a softer line toward world Communism than is actually the case.

Second, those whose mental processes have been mesmerized by the dogmas of Karl Marx invariably tend to underestimate the basic strength of the American economy. To them every dip in our economy signals the beginning of the end of capitalism.

Third, because of his belief in the theory of the class struggle, the doctrinaire Marxist tends to think that in the United States millions of American workers are seething with discontent and that they not only want a change in the economic and political system, but that they oppose the foreign policy which is designed to defend that system from its potential enemies abroad.

If Mr. Mikoyan had such ideas when he came here, I can state categorically, based on my conversations with him, that he returned to the Soviet Union with completely different views.

He found Americans overwhelmingly united behind the firm stand of the President and Secretary Dulles against Communist probing actions directed at Berlin and other areas of the Free World. He found no significant support whatever among the leaders of either political party for the softer line toward world Communism which has been advocated by some of the critics of our policy.

He was noticeably impressed by the economic progress the United States had made in the 22 years since his last visit here and by the obvious strength of our economy today.

He did not find any encouraging signs of progress in the United States toward fulfillment of the Marxist prediction of an inevitable class struggle. On the contrary he admitted almost with grudging admiration that the strongest defenders of the American system, the most vigorous critics of Communism, and the most uncompromising supporters of our firm stand in Berlin were not the traditional whipping boys of Communist propaganda, the

Continued on page 46

*An address by Mr. Nixon before the Fordham College Alumni Association, New York City, Jan. 27.

The State of Trade and Industry

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

The February monthly letter of the First National City Bank of New York comments on general business conditions, viz:

"The steady flow of favorable business reports during January emphasizes the continuing progress of recovery. Many basic business measures already have passed their pre-recession peaks. Home building is nearing boom levels. The dollar volumes of gross national product, retail sales, wage and salary income, and construction expenditures were all at new record levels at the end of 1958, and further gains are anticipated. At the same time, the pace of the recovery has been uneven and some problems linger on. On balance, however, confidence in a continued upswing is widespread, bolstered by the optimistic tone of the President's messages to Congress.

"The economic assumptions underlying the budget are the nearest Washington comes to an official forecast of the outlook for the year ahead. For 1959 as a whole, the Administration foresees a gross national product in excess of $470 billion compared with $437 billion in 1958. Corresponding increases are anticipated in personal income and corporate profits. Despite some feeling that these estimates, particularly as to profits, are on the optimistic side, they are within the precedents set by previous postwar recoveries and are broadly in line with the ideas on the outlook entertained by businessmen and other economic observers. Even without allowance for possible price increases, the expansion from present levels of output which this forecast assumes is well within the limits of the nation's resources of manpower, materials, and industrial capacity. While high levels of production and employment are anticipated, there is no reason to expect a reappearance of the bottlenecks, materials shortages, and over-full employment that characterized earlier boom years."

Unemployment Claims Down Noticeably

There was a 28% dip in initial claims for unemployment insurance during the week ended Jan. 17 and a year-to-year decline of 21% was reported, according to advices received from Dun & Bradstreet, Inc. The drop was attributed to fewer seasonal labor cutbacks in the construction, trade, apparel, textile, and food processing industry. Claims fell most noticeably in Pennsylvania, New York, California, and North Carolina. The week-to-week decline was more than is usual for this time of the year.

Bank Clearings 14.5% Higher Than Last Year

Bank clearings in the week ended Saturday, Jan. 31, will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle," based upon telegraphic advices from the chief cities of the country, indicate that for the week clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 14.5% above those of the corresponding week last year. Our preliminary totals stand at $24,829,800,971 against $21,691,267,790 for the same week in 1958.

For the week ended Jan. 31 clearings for New York City totals $13,277,801,646 as against $11,173,288,374 or 18.6% gain over a year ago; Chicago totaled $1,193,389,059 against $1,125,133,427 or 7.0% gain; and Philadelphia $1,015,000,000 against $945,000,000 or 7.4% gain.

Forecasts Record Sales for Department Stores

Prices of department store merchandise will hold the line against inflation even though the stores' sales volume will climb to new highs in the first half of 1959, according to Ralph Lazarus, President of Federated Department Stores Inc. (Bloomingdale's and Abraham & Straus in New York are members of Federated.)

Mr. Lazarus spoke before a meeting of the National Industrial Conference Board at the Hotel Commodore in New York.

While he forecast record-breaking sales, Mr. Lazarus warned against assuming that consumers have started "a buying binge" if big sales gains develop in February. The same month in 1958 "was double trouble for department stores," and the current month's increase over 1958, which could reach 12%, will not hold for the full first half of 1959, he cautioned.

"People will receive about $8 billion more income than they did in the first half of last year," Mr. Lazarus estimated because higher employment and a longer work week are boosting take-home pay.

Record-breaking sales, 4 to 5% bigger than sales in the first

Continued on page 36

The Coming Electronic World And Benefits from Research

By DON G. MITCHELL*
President and Chairman of the Board,
Sylvania Electric Products, Inc., New York City

Now that national defense is becoming increasingly electronified, the next big untapped reservoir will be the commercial and industrial market. This, Mr. Mitchell avers, will double the industry's sales from present $13 billion in less than ten years. In supporting this prediction, the industrialist specifies inevitable developments that will compel those in the race to usher in an electronic economy "whether they want it or not." Research and development will cost, he relates, twice the present $8 billion inside of the ten years, and probably more at the rate of at least 10% a year; the return for every $100 spent in past 25-year period has been $2,500 to $5,000; gestation time after a project is initiated is ten years with 90% unfruitful; and, despite this, 50 to 75% of progressive industry's sales today are derived from products unknown fifteen years ago.

We are going to see major changes in both the growth and location of our industries. Except for certain mass production industries that seem to require enormous facilities under one roof, most large industries will disperse all over the lot. As that waterway really gets in high gear, you are going to see new plants and new businesses springing up in places you may never have heard of. And do you know why this will happen? It will happen because distances, either in terms of miles or time, are dwindling every passing day, and many of the advantages of concentrating your facilities in one area are a great deal less significant than they were only 8 or 10 years ago.

Don G. Mitchell

What we see going on is the **result of industry's having invested enormous sums of money in research over the years.** It has produced the Second Industrial Revolution.

Now let me get more specific and discuss the industry that will play a double-barrelled role in this Second Industrial Revolution. I'm talking, of course, about electronics — the industry which symbolizes the vital importance of research because research enabled electronics to grow from a volume of $500 million annually just before the war to more than $13 billion in 1958. There are two other good reasons to take an especially close look at electronics. . . . First, the electronics industry itself will expand greatly in the Northwest and Mid-West areas, and, second, as other industries expand and improve their technology and their methods, one of their most important tools will be electronic equipment — some machine, some device that harnesses the action of electrons when you apply electric power to it. I don't care what industrial or commercial field one has in mind, each one is destined to go through an **electronic** revolution in the next five or ten years.

Defines Electronics

Let's indulge in a couple of definitions for a couple of moments. Electronics means television, radio, radar, "electronic brains" or computers, X-ray and so on—but it does not mean the electric refrigerator, or electric locomotives, or electric motors. Perhaps I will be guilty of oversimplification, but another way to look at electronics is to think of the electron tube; where you find it, you have electronics. The electrons which are emitted when electricity is applied to that tube cause something to happen — a picture appears on your TV screen, a voice is transmitted over a microwave telephone network, a runway appears on a radar screen, or a printing press starts, or a computer figures out a problem, or you hear something through a hearing aid.

Home electronics has boomed with television, and National Defense is becoming increasingly electronified, but the big untapped reservoir is the commercial and industrial market, both from the standpoint of the way a product is produced and the end product itself. Whether you have in mind food processing, or manufacturing, or transportation, or communications, the heart of these activities will be an electronic gadget or some sort. It may be a microwave communications network or some process control device, or foolproof airway navigation, but you can be assured it will be electronic.

To sense the possibilities, all you need do is look at National Defense. There not only is equipment which would counteract enemy radar, but there are counter-countermeasures to the enemy's countermeasures, there are the man-made satellites that radio messages back to earth, and there are anti-missile missile systems.

The wide area covered by just those few applications tells the story—electronics is as big as the universe. And that is literally true, because electronics put those satellites up there, and now all electronics has to do is figure out how to bring them down.

The "device," or the equipment which represents a particularly important result of research in the electronics industry is the computer—the electronic brain. Without question it is the most compelling and the most far-reaching phenomenon to confront us for a long, long time. To my way of thinking, the computer is not simply an electronic gadget; it embraces the whole field of electronics. It is to electronics what the engine is to locomotion, or what paper is to printing, or wheat is to flour, or electricity is to lighting.

Let me inject a word of warning, however. Ingenious as the computer is, **it is not a cure-all.** It's an electronic tool, and that's all. A computer cannot think, although it certainly comes amazingly close to it—so close, in fact, that it fools people. But if you ask a computer a silly question, you'll get back a mighty silly answer. However, from the standpoint of any organization with a sizable administrative operation, the computer **can extend your business procedures, systems, and planning to a degree of skill, speed, and effectiveness that has never been even remotely achieved to date.**

All of us know that the emphasis is on speed these days—**speed and more speed.** This arises not only from competitive conditions in existing markets but the fact that industry's markets are steadily broadening as the country's standard of living rises. **To stay in the race, operating information must be made available at a speed with which it has never been available before.** The problem of compiling, transmitting, and processing operating data has become increasingly difficult and increasingly costly. There is less and less time between events, and because management must obviously base its decisions on those events, **it is absolutely essential that all levels of management have complete and significant information faster than ever before.**

In looking at computers, you have to keep in mind one extremely important point: It is not simply a question of what the computer will do better or faster. I like to regard those as the **immediate** payoffs to the substantial sums that a computer and a data processing system cost. Increased speed, and the elimination of paperwork drudgery — those are the quick payoffs. **Far more important, however, is the opportunity to do things we have never been able to do before, or have never even thought existed before.**

This is "administrative automation"—and automation in the office is becoming just as vital a tool of industry as increased mechanization or automation in the manufacturing plant. After all, you can have the best engineering and manufacturing organization in the business, but unless you know **what** products to make, **how many** to make, and **where** to market them—and know all of those things a little faster and a little better than the other fellow—you might as well close up the shop.

Although electronic computers have taken the limelight as far as industrial and commercial applications are concerned, there is an even broader area of which the computer is only a part. And that area is covered by that one word "communications." I am speaking of communications in its broadest sense—**using electronics to gather information at its point of origin and deliver it to the point where it is needed.** This information could be the calculations of a computer, telephone call from your automobile to your home, an inventory report from one of your plants to the head office, a closed-circuit television picture of the traffic density on an expressway, a radar picture of the air traffic pattern around Wald-Chamberlain field, the control of the handling of ore at an unloading dock up in Duluth, a lecture from a University of Minnesota laboratory to classrooms all over the state, the regulation of the flow of raw materials through a fabricating plant, the quality control check on some highly critical metals, or the control of an atomic power plant. You could name a hundred examples . . . because "communications" is just as broad as your imagination.

Will Evolve Inevitably

Some of the examples I mentioned are already being done in varying degrees, others are in the drawing-board stage, others are in the laboratory, and still others are only dreams at the moment. But they will arrive one day **because the needs of our electronic economy will force their arrival whether we want them or not.** It will be the only way that this increasingly complex economy of ours can be coordinated, integrated, and directed to do the job we have cut out for it.

It may be complex from the standpoint of the information the scientists will have to develop, and the equipment, and the gadgets that the engineers will have to design, and our manufacturing people will have to make, but it will take the routine, and the drudgery, and the detail out of what we are doing and enable us to **plan,** to **think,** and to make more sense out of the general directions in which we are going. We won't have to spend so much time holding on for dear life and hoping that everything works out out right as we rush from one chore to another.

Electronics will tie things together . . . but it won't tie them up . . . that's the way to look at it.

Answers Practical Questions

Now let's answer this question: Where will all this progress come from? What will it cost? What will be the payoff? How long will it take?

For the answers to these questions you must look at the total research effort of industry as a whole, because the technological progress in any one branch of industry — whether electronics, or chemicals, or machinery, or anything else—depends upon progress in another. You need to think in terms of what industry as a whole is doing in terms of research and development for the future, as well as what is going on in a particular industry such as electronics.

We are surrounded today with so many scientific and engineering achievements that I think we sometimes lose sight of the fact that **the past 25 years has seen more technological change than all the preceding years of recorded history. For the first time in the history of man, dramatic far-reaching changes take place in a single generation or even less.**

If you were to try to describe graphically the phenomenon of technological progress, you would

Continued on page 30

*An address by Mr. Mitchell before the Investment Outlook Meeting, Minneapolis, Minn., Jan. 16, 1959.

A Look Ahead at the Highway Program

By BERTRAM D. TALLAMY*

Federal Highway Administrator, Bureau of Public Roads, U. S. Department of Commerce, Washington, D. C.

Despite better than anticipated progress, our Federal highway program is said to face curtailment with fiscal year 1961 unless Congress breaks the bottleneck with sufficient funds to keep pace with the 1956 Act's authorization. In looking ahead Mr. Tallamy offers these precautionary insights: (1) there is a 20- to 24-month lag between the conception of a project and the construction contract; (2) the Federal program took up the slack at the crucial time when feasible revenue bond locations had been taken-up; and (3) now that the preliminary, or tooling-up, period is over we are in actual production at an unprecedented scale at a pace which can be maintained over 13- to 16-year period.

The highway contractors as well as the suppliers of materials and equipment may well take pride in their contribution to the progress we have made since passage of the Federal-Aid Highway Act of 1956. Their accomplishments have been noteworthy. Their collective support of the program has been evidenced in many ways, including well-informed testimony before Congressional committees and close cooperation with the Bureau in matters affecting specifications and contractual procedures. We appreciate these efforts. We appreciate also the speed and skill with which they have translated designers' plans into pavement and structures—on the Interstate System and on all of the other Federal-aid systems.

Bertram D. Tallamy

Hints Progress

We will show how well the roadbuilding team has functioned in a report to be submitted to Congress very shortly. It is called for under Section 116 of the Federal-Aid Highway Act of 1956 and involves a comprehensive account of progress under that and subsequent legislation. The story will be a good one, we think, and one testifying to the effectiveness of the harmonious cooperation I mentioned earlier. I am not yet free to discuss the information in that report but—even on the basis of what is already public—the story is a good one.

By way of background, however, I would like to make some general obsevations about the highway program nationally — both Federal-aid and that financed from other sources. There was a tendency among the general public, and even among some people who should know better, to expect construction miracles to flow from the President's pen on June 29, 1956. In retrospect, it appears to have been a rather widespread notion that mere Congressional and Executive approval of a greatly expanded highway program was enough to set the bulldozers roaring off in all directions.

Well, of course it wasn't that simple. The reasons are obvious although I believe it is worth while to examine them during this critical period in the advancement of the highway program.

Almost a Two-Year Lag

First of all, there is an average time lag of 20 to 24 months from the time an Interstate project is conceived until it is ready for construction contract. All of this is taken up by the necessary preliminaries to construction — the surveys and design and the acquisition of right of way. New techniques such as the electronic computer and aerial photogrammetry are cutting the time required for certain types of engineering work. Acquisition of right of way has been facilitated by revamping old laws in some states which presented a time-consuming bottleneck to highway departments. But no one has yet invented a magic wand that will translate an engineer's idea into construction plans ready for bids.

Second, there has not been identical progress among the states and among the various regions of the country in the advancement of the program in its early stages. This was anticipated and is not alarming. Some states had a backlog of plans either ready for contract or requiring only minor revisions on July 1, 1956. They were at zero in the count-down while others started with ten.

Third, the Federal-Aid Highway Act of 1956 coincided with the drying up of funds for new toll road construction, at least on any significant scale. It was not so much the attractiveness of the 90-10 Interstate fund formula that spelled the end of new toll roads as the simple fact that virtually all of the locations feasible for revenue bond financing had been taken. As a result, the Interstate and other Federal-aid programs had to take up the slack left by the sharp decline in toll road construction. Had it not been for the program made possible by the Acts of 1956 and 1958, this decline would have caused serious problems and dislocations indeed in the roadbuilding industry.

Fourth, while the Federal-aid program, in terms of available funds, was greatly accelerated during the past two and one-half years, there was no corresponding acceleration of state and local programs. This, of course, is the old and stubborn problem of financing — a problem with which many state legislatures are wrestling right now.

So far I have been looking mainly backward but I believe that's excusable on the ground that what is past is prologue. An understanding of what has gone before is essential to an appreciation of what is to follow.

The Bureau of Public Roads has just issued a report estimating that a total of nearly $11 billion will be available for highways during calendar year 1959. This is a rise of 10% over the 1958 total of $9.8 billion, and is largely attributable to increased payments of Federal funds under the Federal-aid legislation of 1956 and 1958. Capital expenditures for right of way and construction are estimated to exceed $7 billion, a 15% increase over 1958, and will represent more than two-thirds of all direct highway expenditures.

As to the Federal-aid systems, as of Jan. 1, the active program for the entire United States in terms of Federal-aid and state matching funds amounted to about $9.244 billion. This included projects in the programmed, plans approved and construction stages. On the same date a year earlier the active program totaled about $7.083 billion. So we not only held our rate of progress in 1958, but raised the level of highway activities in the production pipeline by over $2 billion. Actual Federal-aid construction underway as of Jan. 1 was $6.197 billion, a 49% rise over the previous year.

Sees 13- to 16-Year Building Pace

We have now reached the end of what might be compared to the necessary tooling-up period when private enterprise decides to put a new car or refrigerator or TV set on the market. The new model doesn't spring full-blown from the designer's conception. It takes months, even years, of planning, testing, sampling consumer reaction, and all of the other preliminaries before the protoype goes into production. The states have gone through a similar or parallel process in the accelerated highway program. Now we're into actual production on an unprecedented scale and at a pace which can be maintained over a 13- to 16-year period. For example, the construction contracts awarded for projects to be paid for from Federal-aid primary funds during calendar 1958 exceeded by 18% in number and 9% in value those awarded during the same period in 1957.

Our progress up to now has been excellent — as a matter of fact, somewhat better than anticipated. Speaking in terms of obligations of Federal funds, we are 6% ahead of our goal for the period since enactment of the Federal-Aid Highway Act of 1956. During the two and one-half year period, Interstate obligations have amounted to $4,502 million, or 107% of the established goal. As a result, about 76% of the 1959 fiscal year Interstate funds had been obligated as of Jan. 1.

Contracts were advertised for 2,522 projects during this period, at a total cost of $3.5 billion, of which $3.1 billion were Federal funds. The projects provide for improvement on 6,689 miles of the Interstate System, including construction of 5,988 bridges. In addition, right-of-way acquisition has been authorized at a cost of $1.106 billion in Federal funds, and preliminary engineering has been authorized totaling $334 million in Federal funds.

Since July 1, 1956, a total of 1,045 Interstate projects have been completed at a total cost of $944 million, of which $731 million are Federal funds. The projects provide for improvements on 3,159 miles of the Interstate System and for construction of 2,087 structures.

Cites ABA Program

The ABC program, likewise, is progressing rapidly. ABC obligations since July 1, 1956, have amounted to 103% of the projected goal. Federal funds totaling $2.1 billion have been obligated during this period, and contracts have been advertised for 56,803 miles of highway construction. Construction has been completed during this period on projects totaling 60,112 miles, at a total cost of $3.6 billion, of which $1.8 billion are Federal funds.

The special program financed from the $400 million authorization of "D" funds has advanced on schedule and without delaying the ABC or Interstate program. Every state had its entire allotment of "D" funds under contract by Dec. 1, and project agreements had been executed by Jan. 1, 1959, as required by the authorizing legislation.

This was accomplished without delaying the ABC or Interstate programs. From April 16, 1958, when the special funds became available for obligation, until Dec. 1, 1958, when the "D" funds were fully obligated, the ABC obligations amounted to 113% of the projected goal and Interstate obligations amounted to 118% of the goal.

The special "D" funds are being used almost entirely for construction, with associated right of way and preliminary engineering work financed with regular ABC funds. The program is substantial. Contracts were advertised on a total of 12,136 miles of construction, for 7,823 miles of high-type bituminous or portland cement concrete paving, 266 miles of intermediate-type bituminous surfacing, 1,962 miles of bituminous surface treatment, 2,057 miles of gravel surfacing or graded and drained earth road, and 1,336 bridges.

Revenues accruing to the Trust Fund during the fiscal years 1957 and 1958 totaled $3,526 million, or $41 million more than the original estimates. On Dec. 1 there was a balance of $663 million in the Trust Fund. However, this balance will be reduced during the remainder of this year and during fiscal 1960, since expenditures are estimated to exceed revenues in each of these years.

Apportionment of Funds

Legislation enacted in 1958 provided that the full amounts authorized for the fiscal years 1959 and 1960 should be apportioned and made available to the states notwithstanding the provisions of Section 209(g) of the Federal-Aid Highway Act of 1956 (the so-called Byrd Amendment). Under the provisions of the Byrd Amendment, apportionments of Interstate funds for any fiscal year are limited to the amounts expected to be available in the Trust Fund to liquidate obligations resulting from such apportionments.

As a result of the 1958 legislation, Interstate funds were apportioned to the states in the amount of $2.2 billion for the fiscal year 1959 and $2.5 billion for the fiscal year 1960. These apportionments of Interstate funds were in addition to ABC apportionments of $875 million plus the special "D" fund apportionment of $400 million plus $115 million in repayable advances for the fiscal year 1959, and $900 million in ABC funds for the fiscal year 1960.

It will be necessary under present legislation to borrow from the general funds of the Treasury in order to liquidate the obligations to be incurred under these apportionments. Repayment of any amounts so borrowed must be taken into account in determining the amounts of Interstate funds that may be apportioned for 1961 and subsequent fiscal years.

As a consequence it appears, on the basis of present legislation, that there can be no apportionment of Interstate funds for the fiscal year 1961, and that the Interstate apportionment for the fiscal year 1962 cannot exceed $500 million. Thenceforth the Interstate apportionment would range from $1.7 to $1.8 billion per year in accordance with amounts estimated to be available in the Trust Fund for liquidation of the Interstate program.

Need Additional Funds

Under the provisions of Section 209(b) of the Highway Revenue Act of 1956, the Congress is responsible for keeping Trust Fund revenues and expenditures in balance. As you know, the President has recommended an increase of one and one-half cents per gallon in the gasoline tax to accomplish this objective and to keep the highway program at the authorized level. I am not in a position to forecast what action Congress may take with regard to the need for additional financing. However, it is obvious that additional receipts into the Trust Fund are required if we are to continue the program at anywhere near the pace we have maintained since passage of the Act of 1956.

Actually, the critical period in the program begins with the fiscal year 1961. There has been some confusion in the public mind as to the reason why the highway program is due for a serious cutback beginning in 1961 unless the existing legislation is amended to provide additional revenues. There has been a lot of talk about the increased cost of the Interstate System and a number of people have considered that to be the reason why the program is threatened during the next two fiscal years. This, of course, is a misconception. The increased cost of the program is a problem entirely separate from the problem we face with respect to the reduction in authorized apportionments. The immediate bottlement is the provision of sufficient funds to keep the program in pace with the authorizations which were set forth in the Act of 1956. In other words, as the law stands, the apportionments authorized are not in accord with the Trust Fund revenues, in fact they never have been.

The Facts Will Be There

In 1961 the Secretary of Commerce will submit to Congress two fundamental reports which will have a direct bearing on the future financing of the highway program. One will present the latest detailed estimate of the cost of completing the Interstate System. The second will set forth the conclusions derived from a four-year study of highway user taxes, direct and indirect beneficiaries of the highway systems, and findings regarding the equitable distribution of existing highway taxes. Thus in 1961 the Congress will have basic material upon which to base an intelligent decision as to the appropriate method of financing the long-range Federal-aid highway program.

Therefore, in taking a look ahead at the highway program, the most important view is the one immediately before us. I have no doubt that Congress will come to grips very soon with the financing problems we face. I have no doubt that the views of the Associated General Contractors of America and similar groups will be actively sought by the appropriate Congressional committees.

I trust that such organizations will carefully consider the proposals which are advanced to continue the program in accordance with the pace you are prepared to maintain. The cooperation which I mentioned earlier will be needed in increasing measure in the weeks and months ahead.

In the past we have been given intelligent and forceful support to the advancement of the highway program. I am confident that we can count on a continuation of this support.

*An addess by Mr. Tallamy before the 40th Annual Convention of Associated General Contractors of America, Miami Beach, Fla., Jan. 20, 1959.

St. Louis Municipal Dealers Spring Party

ST. LOUIS, Mo.—The St. Louis Municipal Dealers Group will hold their annual Spring Outing April 29, 30 and May 1.

George Burden, Boston Mgr. for Blair & Co.

BOSTON, Mass. — George E. Burden has become associated with Blair & Co. Incorporated, as manager of the Boston office, 50 State Street. Mr. Burden was formerly local manager for John Nuveen & Co.

John H. Jackson With Wallace, Geruldsen

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John H. Jackson has become associated with Wallace, Geruldsen & Co., 105 West Adams Street. Mr. Jackson was formerly local manager for the Milwaukee Company and prior thereto was manager of the municipal department of the Chicago office of Lehman Brothers.

Wilson and Porcine Profitability

By DR. IRA U. COBLEIGH
Enterprise Economist

An article packing a few comments and statistics about the meat business and about Wilson & Co., Inc., third largest meat packer, and largest manufacturer of sporting goods.

It seems a paradox that meat packing has consistently been a "feast or famine" business; with the profit famine occurring when the companies had the most meat in inventory. It all began 60 years ago when Chicago became a great railway center and trainloads of livestock came pouring in from farms hundreds of miles away to the great slaughter houses for which the Windy City has become famous. But the arrival of livestock in Chicago was not evenly spaced. There were great bulges in this animal traffic in February and Novemebr, when, not little pigs, but full grown pigs "came to market." They arrived in volume in those months simply because it takes six months to raise a pig to maturity, with Spring litters becoming full grown in November, and Fall litters in February (50% of meat packing is in pigs).


Ira U. Cobleigh

This all created an economic problem since the livestock had to be slaughtered virtually on arrival, and large refrigeration plants were required to store the meat until it could be sold. And, in between these peak runs, companies strove to keep their slaughter houses running, often by bidding against each other for hogs and cattle, thus acquiring large, and frequently unwieldy, inventories which had, on occasion, to be sold at distressing losses. If meat prices got too high, consumers reduced their buying, and a drought could disrupt the whole system. In general, meat packers thrive when they can buy their cattle cheaply, and when broad general prosperity assumes heavy consumer demand. (The cattle cycle has been less troublesome than the hog one, because it takes three years for a beef to grow up.)

All of this is by way of background to introduce today's topic, **Wilson & Co., Inc.** This company has been hard at work trying to flatten out these peaks and valleys in the packing business, and to place major emphasis not on the dollar volume of business running through its slaughter houses, but on profitability.

For example, Wilson has moved its slaughter houses away from Chicago and nearer to the farms where the livestock grow. This assures a larger supply of animals at cheaper prices. Further it saves a great deal in money in transportation costs since the whole animal doesn't have to be shipped nearly so far; and most of the transportation paid for is on finished products. Meat represents totally only about 50% of the weight of beef on the hoof. Wilson & Co. has 10 domestic slaughtering, packing and processing plants plus a number of other by-products and dairy plants.

Traditionally in packing companies, it has been up to the sales department to go out and sell the meat that the manufacturing department had slaughtered and procesed. At Wilson & Co. selling and manufacturing have been more efficiently coordinated so that slaughtering is more accurately tailored to the quantity and kind of meat products that can be profitably sold under varying market conditions.

At the retail level Wilson & Co. is going along with the popular demand for packaged meats since over 40% of the retail business is now done in self-service meat markets. Wilson is building up its name so that it may, in due course, attain a popular consumer preference similar to that for well known brands of coffee or cereals.

In addition to meat, Wilson & Co. does a large business in poultry, eggs, butter, cheese and in such by-products as edible oils, shortenings, gelatin and pharmaceuticals. Foreign subsidiaries include meat packing and processing plants in Argentina, Brazil, Australia and New Zealand and a by-products plant in England. These foreign assets are probably worth $14 million, though they are carried on the books for considerably less, and they delivered $1,100,000 in dividends to the parent company last year.

Through Wilson Sporting Goods Co. and Wilson Athletic Goods Mfg. Co., the company is the leading manufacturer and distributor of sporting goods. Considerable money has been spent on plant rehabilitation in recent years and this sporting goods division should deliver over $1 million in net in 1959. Over the longer run, growth of his section should be substantial due to the greater amount of leisure time enjoyed by nearly everyone, and the rising per capita income.

Much of the interesting forward motion we now see in Wilson & Co., Inc. stems from the talent and ability of new management which took over in 1953 when Mr. J. D. Cooney became President. In 1952 the company lost money. It has shown a profit in every year since, which is due, in part at least, to improved controls over costs and inventories. It outperformed all the other major meat packers in 1957.

Historically Wilson & Co., Inc. has been a cyclical company, and although some of its major fluctuations have been flattened out, it is not yet ready to qualify as a growth company. Net sales have swung during the past six years, from a low of $609 million (1956) to a high of $684 million (1958). Curiously enough the year 1952 showed the highest net sales, $717½ million, yet resulted in a loss.

The whole problem in the meat packing industry has been in increasing the profit margin. Most companies are lucky to come up with a half cent profit on every dollar of sales. Wilson & Co. does much better than that. For fiscal year ended Oct. 31, 1958, Wilson earned $7,760,000 which was about 1.1% of sales and amounted to $3.10 on each of the 2,240,510 common shares outstanding. This is comfortable coverage for the present indicated dividend of $1.40 per share.

This common is preceded on the balance sheet by $24,455,000 in long term debt and 192,300 shares of $4.25 cumulative preferred stock. Current assets on the latest balance sheet were over $80 million, and over four times current liabilities. In July 1958 the company sold $15 million in debentures which should make unnecessary any further public financing for some time to come.

Now considering the erratic historic performance of packing company shares in general, what is the especial attraction of Wilson & Co. common at this particular juncture? Well, first of all it increased its per share net from $2.19 in 1957 to $3.10 for 1958. There appears to be some reason to expect both hogs and cattle to sell lower on the hoof this year; so that Wilson may be able to show a per share net of above $4 for 1959. If that takes place, another increase in the cash dividend would appear logical. Further, Wilson common at 33½ is selling at 11 times current earnings, an exceedingly low ratio. The stock affords a considerable leverage. If it now sells higher than for many years the fact may be accounted for by respect for a competent and efficient management, a sharply rising earnings' curve, and the financial ability of the average American consumer to include more meat in his diet. From the look of things, the 12,200 stockholders of Wilson & Co., Inc., are going to live higher on the hog than they have for a long time!

NY Security Dealers 33rd Annual Dinner

The New York Security Dealers Association will hold its 33rd Annual Dinner on Friday, April 3, 1959 at The Waldorf, George A. Searight, Searight, Ahalt & O'Connor, Inc., and Elbridge H. Smith, Stryker & Brown, are Co-Chairmen.

A. G. Becker Names Kipp Asst. V.-P.

CHICAGO, Ill. — John D. Kipp has been elected Assistant Vice-President of A. G. Becker & Co., Incorporated, 120 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Counsel Firm in Phoenix

PHOENIX, Ariz.—Formation of the firm of Van Cleef, Jordan, Wood and Arnold, Inc., investment counsellors, with offices in the First National Building, has been announced by Van Cleef, Jordan and Wood of New York, and Hazen S. Arnold, Jr., of Phoenix.

Lee Limbert Partner In Dean Witter & Co.

Lee M. Limbert has joined the investment banking and brokerage firm of Dean Witter & Co. as a senior partner in charge of the firm's Eastern operation. The firm is one of the largest in America and holds membership in the New York Stock Exchange and all other leading stock and commodity Exchanges, with 40 offices from New York to Hawaii. Mr. Limbert will make his headquarters at the New York office, 14 Wall Street.


Lee M. Limbert

Last July, Mr. Limbert resigned as Vice-President, director and member of the Executive Committee of Blyth & Co., Inc., with which firm he was associated for 36 years. He is a past Vice-President and Governor of the Investment Bankers Association of America; past Vice-Chairman and Governor of the National Association of Security Dealers, and a past President of the Bond Club of New York. The new Dean Witter & Co. partner is especially known in Wall Street as the director of the underwriting group which in January, 1956, offered 10,200,000 shares of Ford Motor Company stock in the amount of $657,900,000, the largest stock offering on record.

Austin Brown, who has been Dean Witter & Co.'s senior New York partner, will become a limited partner of the firm as of Feb. 1.

Dealer-Broker Investment Recommendations & Literature

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

Airline Stocks—Analysis of outlook—Bache & Co., 36 Wall Street, New York 5, 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.**

Business and Money—1959 review and outlook—Harris Trust and Savings Bank, Securities Analysis Department, 115 West Monroe Street, Chicago 90, Ill.

Business & Securities—Review—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Canadian Agriculture in 1958—Review—Bank of Nova Scotia, Toronto, Canada.

Cigarette Industry—Report—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Philadelphia Electric Company.**

Common Stock Holdings of Leading Investment Trusts—Tabulation of largest common stock holdings—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Dividends For More Than a Decade — Stocks traded on the American Stock Exchange, arranged by industrial classification, which have paid dividends for 10 years or more—American Stock Exchange, 86 Trinity Place, New York 6, New York.

Extraordinary Popular Delusions and the Madness of Crowds—Charles Mackey—with a foreward by Bernard Baruch—L. C. Page & Co., Dept. 16, 101 Fifth Avenue, New York, N. Y.—$7.

Fact vs Fancy—A discussion of the stock market in the February issue of "The Exchange"—Exchange Magazine, Dept. 7, TB-13, 11 Wall Street, New York 5, N. Y.—20c per copy; $1.50 per year. Also in the same issue are articles on "What Every Wife Should Know"; "Chemical Build the Future," etc.

Japanese Oil Industry—Discussion with particular reference to **Mitsubishi Oil Co., Showa Oil Co.** and **Maruzen Oil Co.** Normura Securities Co. Ltd., 61 Broadway, New York 6, N. Y.

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

New York City Bank Stocks—Comparative figures at Dec. 31, 1958—The First Boston Corporation, 15 Broad Street, New York 5, N. Y.

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.

1959—The Year Ahead—Discussion with some lists of selected securities—Schwabacher & Co., 100 Montgomery Street, San Francisco 4, Calif.

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.

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

Real Estate Bond and Stock Averages—Comparative figures—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Refunding Issues—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Selected Securities—Stocks in various categories which appear attractive—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Southern California Business Conditions — Review—Security First National Bank, Research Department, Box 2097 Terminal Annex, Los Angeles 54, Calif.

Supply & Demand for Investment Funds for 1959 — Study—Salomon Bros. & Hutzler, 60 Wall Street, New York 5, N. Y.

Taxability of Dividends Paid in 1958 on various investment funds—Tabulation—Taussig, Day & Company, Inc., 509 Olive Street, St. Louis 1, Mo.

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Atlantic Refining Company—Data—Oppenheimer, Neu & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **General Dynamics Corporation, International Resistance Company, Singer Manufacturing Company, Western Maryland Railway Company** and **Wheeling Steel Corporation.**

Atlas Consolidated Mining & Development Corp. — Review—Oscar Gruss & Son, 150 Broadway, New York 38, N. Y.

Beech Aircraft — Review—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **Chain Belt, Interlake Iron,** and **U. S. Industries.**

Celotex Corporation—Annual Report—Secretary, Celotex Corporation, 120 South La Salle Street, Chicago 3, Ill.

Cenco Instruments—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Central Soya—Memorandum—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Cluett, Peabody & Company, Inc.—Analysis—Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill.

Consolidated Water Power & Paper Company—Analysis—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Consumers Gas Company—Analysis—McLeod, Young, Weir & Company, Limited, 50 King Street, West, Toronto, Canada.

General Gilbert Corporation—Analysis—C. D. Robbins & Co., 744 Broad Street, Newark 2, N. Y.

General Time Corporation—Analysis—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Granco Products Inc. — Analysis—John R. Boland & Co., 30 Broad Street, New York 4, N. Y.

Grand Union Company — Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Johns-Manville — Review—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same bulletin are a review of **United Artists Corp.** and selected portfolios for new investors.

Lake Ontario Cement Co. Ltd.—Bulletin—R. G. Worth & Co., Inc., 160 Broadway, New York 38, N. Y.

Minneapolis Moline Co.—Analysis—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

Minute Maid Corp — Memorandum — Hirsch & Co., 25 Broad Street, New York 4, N. Y.

National Tea—Data in the February "Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same circular are data on **Unilever N. V., Eastern Stainless Steel, Thatcher Glass, Alabama Gas** and **Lear Inc.**

New York Air Brake Co.—Memorandum—T. L. Watson & Co., 25 Broad Street, New York 4, N. Y.

Pauley Petroleum Inc.—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Pfaudler Permutit Inc.—Analysis—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.

Reichhold Chemicals Ltd. — Memorandum — Model Roland & Stone, 120 Broadway, New York 5, N. Y.

Standard Fruit & Steamship Company—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

United-Greenfield Corporation—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Zale Jewelry Company.**

NSTA Notes

ITA vs STANY BOWLING MATCH

The annual bowling match between the Investment Traders Association of Philadelphia and the Security Traders Association of New York will he held in Philadelphia on Thursday, Feb. 26.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Trader's Association of Philadelphia will hold their 35th Annual Mid-Winter Dinner on Friday, Feb. 27, 1959, in the Grand Ballroom of the Bellevue-Stratford Hotel. The President of The National Security Trader's Association, Lester J. Thorsen, Glore, Forgan & Co., Chicago, will address the guests.

The Member-Guest Luncheon will be held at 12:00 noon.

A Strong Case For Cumulative Preferred Stocks

By ROGER W. BABSON

Although, in my personal opinion, the chances are now against one who buys common stocks for profit, these chances favor one who now buys the right stock for income.

Roger W. Babson

The reason is: The price of common stocks depends mainly upon the moods of the people. They buy according to how they feel, not according to facts. When the majority are optimistic, or tired of waiting for stocks to go down, they buy. The more impatient the buyers are, the more common stocks go up. The more impatient the people desiring to sell become, the more common stocks go down.

The price of good-quality Cumulative Preferred Stocks, however, depends upon the money market. When money is cheap, such preferred stocks sell high. When money gets tight and interest rates high, these Cumulative Preferreds go down in price. This means that most of these Preferreds can now be bought at a discount of from 10% to 15% or more below par.

The fastest growing, probably the safest industry today is the generation and distribution of electricity — that is, the electric utilities. Demand for electricity is constantly growing, due to the frantic advertising of electric household aids from toasters to television sets. In addition, both electric heating and air conditioning are in their infancy. Great growth for these lies ahead. In short, the electrical industry need not advertise, but can let Sears, Roebuck and the department stores of all cities pay for the advertising to increase sales of electricity. The kwh of the nation are published each week. Study these if you doubt my forecast.

Buying Preferreds for Profit

Good Cumulative Preferreds bought now may later show a profit in addition to their near-5% income yield. Money rates will not always remain high. They go up and down in cycles, as do common stocks and commodities. When money is again cheap, these Cumulative Preferreds should again sell higher. That may be the time to sell them, and invest in good common stocks when they are low.

There is also another reason why these Cumulative Preferreds, now selling in the 80s, will again sell at par or over. Very few new issues will be put out at present low prices. Those already issued will gradually be absorbed. As they are absorbed, and perhaps called, prices will recover. This will be encouraged by both the corporations and the investment bankers who are now loaning these corporations money, awaiting a time for issuing more stock. Hence, I repeat that the chances now favor Cumulative Preferred Stocks of electric power companies selling higher in 1959 — as well as paying a safe income of near 5%. Readers need not fear the movement toward municipal ownership. This may be bearish on common stocks but not on cumulative preferreds.

An Investment Banker Reflects on His Modern Role in the Economy

By JAMES J. MINOT*

Senior Partner, Paine, Webber, Jackson & Curtis, Boston, Mass.

Mr. Minot's candid, practical insight into investment banking contains his views on what competitive bidding has done to the seller, investment banker and the purchaser and provides a brief description of the operations of an investment banking syndicate. He explains why a capitalistic economy requires investment banking; points out that young men in large companies who start new companies will become richer than their former chief executives; and credits capital gains for providing a real incentive to build a new company.

So long as our economy continues on a capitalistic plane, we must have investment bankers, or their equivalent. The title is something of a misnomer and has led frequently to misapprehension of their function. They are not bankers at all within the usual meaning of the word, and they do not invest for their own account. Today an investment banker cannot be a banker; he cannot receive other people's money, hold it for their account repayable on demand, or on time, and pay interest. He can, and usually does, hold credit balances for his clients ONLY while awaiting investment and can, if at all, pay interest only when the money is reinvested. In many cases he never pays interest. Why do people leave their money with investment bankers and stockbrokers? Usually it is rather with stockbrokers than with investment bankers that the money is left. My own solution to this question is, "it is investment money, not to be confused with a fur coat or new car money."

James J. Minot

Distinguishes Stockbrokers From Investment Bankers

I will define the difference between the two: investment bankers buy for their own account as principals to resell for their own account just as quickly as possible, usually almost simultaneously. Stockbrokers act only as AGENTS to execute orders on instruction and charge a commission. This commission is strictly regulated by the New York, Midwest, American, or other Exchanges. In the case of Over-the-Counter securities, commission has become well standardized. However, in the case of Over-the-Counter securities the difference between a stockbroker or an investment banker is not so well defined. It is common and accepted practice for many security firms to deal in Over-the-Counter securities on a principal basis and buy and sell at net prices. Parenthetically, this is done also to a limited extent by certain non-member firms on listed securities, and by member firms also on certain bonds and preferred stocks. This is very technical and not too important.

The investment banker in his modern role dates from just about the time I entered this business. After a period in the 1930s when he was blamed for everything from "hoof and mouth disease" to the boll weevil, he has again become respectable and many men are entering the business. Actually a man, later to become one of our partners, graduated from the Harvard Business School in 1937 and came with us. His professor told him, in effect, that he had better take a job with a chain of houses NOT homes.

In 1913 the Investment Bankers' Association was formed and I entered the employ of Jackson & Curtis, a medium-sized investment banker and stockbroker with its main office in Boston, another in New York and branches in Providence, Worcester and Springfield. In 1942 we merged with Paine, Webber to found one of the larger diversified investment banker and brokerage concerns. We are in all phases of the business, including municipals and commodities. In my early days investment banking was largely concerned with financing railroad, public utilities, including many street railways, and the new industrials. Commercial banks participated in this business to a very important extent.

The frightful depression of the 1930s and remedial legislation ended entirely the participation of banks except in the field of municipal finance and even in that field they cannot deal in revenue bonds.

Unprofitable Competitive Bidding

Shortly afterwards the SEC and ICC caused competitive bidding to be mandatory in most cases. How has it worked? It has, in my opinion, resulted in the selling Public Utility or Railroad receiving a higher net price in a favorable market and a lower net price in an unfavorable market. On balance, therefore, it has, in my opinion, not been a good thing for the seller. It has unquestionably been unprofitable to the investment banker and unsatisfactory to the purchaser. It has become a battle of wits. Time is too short to examine at length.

Passing on to the negotiated deal, how is it done? There may be 100 investment bankers in this country who will average one or more deals a month as syndicate manager. It is of this group I shall speak.

Investment Banking Syndicate

All these firms have traditional accounts who come to them regularly knowing they will get satisfactory service. Competition keeps price and "spread" within close limits. New accounts come largely through commercial banks, smaller investment dealers who have not got the facilities or capital, attorneys, accountants, people just plain walking in, and of course, as the result of direct solicitation of possible prospects.

I will use our own firm as an example. We function in both New York and Boston with a team of partners and associates who understand the business. Here in the Twin Cities, and in Chicago, Los Angeles and other centers we pride ourselves on being able to act independently, using entirely local banks, attorneys and accountants for a local issue for the local market.

Let's take Drugs and Electronics, Inc. I use the name advisedly as both businesses are today popular with investors. D & E is owned by one family, having been started by the grandfather of the present President now in his middle forties. Sales, $20,000,000; Earnings after taxes, $1,000,000; collateral branches of the family not now in the business own stock and want to diversify. In addition the company would like to retire $3,000,000 of bank debt. Let's say the book value is $10,000,000. How much is such a company worth? Depending on many things, perhaps $15,000,000 or 15 times earnings.

We advise recapitalization with old stockholders receiving 600,000 shares and selling 120,000 new shares at 25, together with 200,000 shares from selling stockholders. What will it cost? The company will pay for the legal and accounting services, perhaps $50,000-$60,000. Our "Spread," that is the difference between what we buy at and what we sell at will be about $1.50, or $430,000.

We take perhaps 20% for our own account, or 64,000 shares at 25 — $1,660,000. We invite other investment bankers to participate down to as low as perhaps 1,000 shares. We charge a management fee for our services of typically 15%; then we have a selling group to whom we allow 75¢. This is a very brief description of an investment banking syndicate.

Praises Capital Gains Incentive

Why do I say that as long as we have a capitalistic society we must have investment bankers, or their equivalent? In our complex civilization aggregations of capital must be mobilized to be fully effective. While the father to son business continues, eventually in cases where it is successful enough, outside capital must come in, or else the business is likely to dry up. The cliches, "nothing succeeds like success," and "if you don't grow you die," are more true today than ever. Capital gains as compared to regular income still give a very real incentive to build a new company. The Presidents of our largest corporations are no longer the rich men. No matter how large the salary, we know not much can be put aside. Options and similar devices do make accumulation possible but at increasing risks and with greater difficulty.

I believe that it is entirely probable that there are several young men typically in such companies as General Electric or Western Electric, the subsidiary of A.T. & T. who will start new companies and then become much richer than any of the chief executives. Is it an investment banking function to help such men get started? Fundamentally "no," however, there are certain investment bankers who set aside a portion of their capital for venture purposes, and there are numerous pools of capital, some well known like the Rockefellers and Whitneys who have companies for just this purpose.

However, after the company has made an initial success then as it grows, the investment banker performs his services both to raise new capital for expansion and to free some of the front capital on a capital gains basis. In my experience most small companies start with personal savings of a few thousand dollars plus family and friends so that total initial capital is perhaps $100,000 and under. This continues to be a land of great opportunity and many millionaires are constantly coming into being.

*An address by Mr. Minot before the Investment Outlook Meeting, Minneapolis, Minn., Jan. 16, 1959.

James Trippe Joins Ladenburg, Thalmann

James Trippe is now associated with the investment firm of Ladenburg, Thalmann & Co., 25 Broad Street, New York City, members of the New York Stock Exchange. He was formerly with the New York office of The Northern Trust Co.

With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Blanche Blahut has joined the staff of Walston & Co., Inc., 201 South La Salle St.

Hall, Parker, Partners In Morgan Stanley

Morgan Stanley & Co., 2 Wall Street, New York City, members of the New York Stock Exchange, announces the admission of A.

A. Douglass Hall H. Lawrence Parker

Douglass Hall and H. Lawrence Parker as general partners, effective Feb. 1, 1959.

Mr. Hall was graduated from Princeton University in 1932 and became associated with Bonbright & Co. upon graduation. In 1936 he joined Morgan Stanley & Co. as a member of the staff, remaining there until 1945. Since 1945, he has been with Diamond Gardner Corp., most recently as Financial Vice-President and director.

Mr. Parker joined the staff of Morgan Stanley & Co. in 1950 after graduation from Yale University. He served in the U. S. Marine Corps from 1944 to 1946.

D. A. Fitzgerald With Harriman Ripley Co.

David A. Fitzgerald has become associated with Harriman Ripley & Co., Incorporated, 63 Wall St., New York City, as a corporate bond trader. He was formerly with L. F. Rothschild & Co.

Probable Impact of European Common Market on U. S. Industry

By GEORGE DONAT*
Director, Marketing Services Overseas
Parke, Davis & Company, Detroit, Mich.

Using the "Great Lakes Six" as a bench mark, international marketing director specifies why European Common Market poses a competitive challenge to American industry. Mr. Donat observes: (1) Europe's productivity rate of increase in past seven years has been almost twice that of the U. S. and that it is still increasing; (2) nature of the gains in competitive imports from Europe; and (3) future advantages which ECM countries will gain through their common market. Writer suggests we develop new products, and envisions greater European need for more U. S. capital, know-how, techniques, patents-trade marks and, in turn, our stepped up imports of components and sub-assemblies produced in Europe. He concludes this could combine the best of two worlds with overall benefits to both.

The Great Lakes Six (including Minnesota) are unquestionably one of the most potent industrial concentrations in existence in the world today. With a 22.5% of the U. S. population concentrated on 9.1% of its total land area; it is a home to 31% of the leading 500 industrial corporations; has 35.5% of all industrial employees; accounts for 30.7% of all value added by manufacture in the U. S.; and probably well over one-third of the Gross National Product. It is this area which, as its counterpart, looks at the European Six—Belgium, Holland, Luxembourg, France, Germany and Italy—with a good deal of curiosity and perhaps some anxiety.

George Donat

Let us, then, review which of the many attitudes towards it may be most fitting.

A Look at ECM

The Common Market now has a population of 162 million people. Over the next 12 years it is estimated that the number will increase to 173 million, a percentage increase of 6.9%.

It had a Gross National Product of just under $150 billion in 1957—about a third of the U. S.—or about the same as the Great Lakes Area. By 1970 the figure should be well above the $200 billion mark, since growth is at the annual compound rate of 4.5% as against 3.8% for the U. S.

The Common Market Area contains large numbers of heavy industrial clusters; is blessed with centuries of foreign trade experience; and governed by people keenly aware of the importance of a free flow of trade to their national economies.

Basically, the ECM purports to be little more than a unit of economic cooperation. Its keystone is a gradual reduction and eventual elimination over a period of 12 to 15 years of all internal tariffs and quota restrictions. The first 10% reduction in tariffs between member States went into effect on Jan. 1, 1959. It also provides for:

Common external tariffs towards non-members;

"Harmonizing" economic, social, transport, and agricultural policies;

Free movement of capital, labor, and services;

Establishment of free competitive conditions by restraining cartels;

Full and joint exploitation of resources at the disposal of members.

*An address by Mr. Donat before the Great Lakes Industrial Development Council's Annual Meeting, University of Michigan, Ann Arbor, Jan. 16, 1959.

It does not, in its stated purpose aspire to be a political union, although undeniably, drafters of the treaty must have had this strongly in mind. As we shall see, the institutions created to carry on the work of the Community readily lend themselves to transformation into a Federal Government of Europe.

Doubts have been—and perhaps are still being—expressed whether this endeavor will work. Activities over the past years of the Office of European Economic Cooperation and the Coal and Steel Community are, I think, quite clear evidence that it is likely to become an unqualified success. For instance, the Coal and Steel Community brought out the best in German - French collaboration and many potential conflicts were adjusted fairly, unobtrusively, and permanently. The speed with which European Parliaments ratified the documents after their submission, the seriousness with which the common policies are now being put into effect show that Europe is fed up with its past, that it has learned by its mistakes. Problems not provided for in the protocols (for instance convertibility of currencies) are being resolved as the Community progresses towards complete integration.

Component countries by continuous consultation both through the organs they created and bilaterally, are forging plans to bring their own national economic policies in line with the overriding objectives of the European Economic Community. Industries seeing the opportunities inherent in the arrangement, commenced a wave of mergers, reallocation and streamlining of productive facilities, and decentralization of various staff activities. Efforts are under way to agree on a universally applicable patent and trademark law for the ECM Area and to establish engineering and other standards which will be equally applicable. The quality control people have been mighty busy working out their own problems; railroad schedules have been readjusted; postal rates have been harmonized, etc.

How Is It Organized?

While the structure of the ECM is perhaps not of such overwhelming interest, it may be worth mentioning that the organs created for the purpose of governing it are a **Council of Ministers**, composed of representatives of the governments of each country, serving as a mechanism of coordinating the economic policies of their respective countries.

Under it, the **Commission** whose theoretical powers are supervision, recommendation, and decisions on technical questions arising out of the Treaty's application. As a practical matter, since Commission members are some of the most powerful and politically astute individuals of their respective countries, appointed with the full backing of their governments, a majority of the policy decisions inherent in the operation of the Common Market are likely to be made at the Commission level without being referred to the Council which reserved such powers to itself.

The creation of the **Assembly** with 36 members each from Germany, France, and Italy and 34 from the Benelux countries is, I believe, the not so well concealed nucleus of a European Parliament. The Assembly, presently appointive, is to draw up a proposal for election for its members by direct, universal suffrage. If member States should adopt whatever plans may be developed, it will unquestionably become a legislative body of considerable weight.

In addition, the **Court of Justice** acts as the judicial arm of the Community, adjudicating not only appeals from individuals affected by the decision of the Community and the Council, but disputes amongst member States. Acceptance of this concept, virtually without discussion, during the debates of ratification in the various European Parliaments, is the most certain index that Europe has become different. It is a voluntary surrender of sovereignty, fiercely resisted in the past.

The New Look in Europe

The most startling thing about postwar Europe or perhaps more accurately, post - Marshall Plan Europe, is the speed with which it has been able to break all kinds of economic records. While the U. S. in the five years — 1953 through 1957 — increased industrial output 16% and output per capita only 6%, Europe increased the former 37% and the latter more than 30%. During the same period, per capita consumption of durable goods has increased some 60% although here we must note that during the war the market dried up completely. More significantly, in these five years, while Europe's per capita consumption rose 20%, its industrial investment rose 50%. Europe does not increase its standard of living at the expense of careful budgeting, but saves more and consumes more at the same time.

Europe's annual investment in industrial equipment is at the present time roughly equivalent to that in the U. S. Its rise in industrial productivity is the key to this over-all progress. The rate since 1950 was roughly double that of the U. S., i. e., an increase of 24 points in the U. S. as against 51 points for Europe. Still, there is plenty of room for growth in Europe and the slack is rapidly being taken up due to the modern plant and facilities which are being installed to replace machinery which in many cases dates back to pre-World War I days.

In fact, the last five years in Europe could only be described in superlatives. The last decade's development equals Europe's previous golden era between 1880 and 1910.

Those who have not visited Europe recently must, I think, completely revise their recollections of it. Mass production and mass marketing is the thing. The Volkswagen works turn out about a third of a million cars a year, one just like the other. Fiat does the same in Turin. Machine tools, traditionally a workshop type of industry, are coming off the assembly lines in Duesseldorf and Paris at the rate of one an hour. Men are replaced all over the lot with automatic packaging machinery, conveyor belts, pallets, and fork lift trucks. There is no mileage to be gained from propagating limited production at high prices. Some sediments of the cartel philosophy are still around, but to the extent these voices make themselves heard, their propositions seem economically sound and generally not against the public interest. The European consumer, traditionally a saver, has gone on a spending spree. He buys on instalment credit and he buys things which 10 years ago were considered luxuries for the upper classes only. He is dissatisfied with his living quarters, wants to expand and to modernize. He is doing things himself. The banker or factory manager can be found in their basement workshop, making something for their homes, rather than hiring men to do it, and pride themselves on their accomplishment. All these changes have a profound, long-term impact on us here.

Long-Range Effects

In the past the exporter in Chicago had to deal with each country separately, surmounting differing tariff barriers, documentation regulations, have six separate distributors, negotiate with six sets of banks and freight forwarders. The European manufacturing subsidiaries of the Detroit company had to have several separate plants to manufacture according to each country's specific requirements, with labor of differing quality and price, assuming varying fringe benefit burdens. These expensive and unnecessary duplications can be eliminated. Specialization can now be planned, where each of the old plants would in the future make certain components in large runs, to be centrally assembled. In our own field, division of our product line by separate chemical groups seems to be the most reasonable answer.

It would be fatuous to say that no problems will remain past 1970. The language problem is not likely to be resolved. Nor will, again to take our own industry as an example, the long ingrained habits of pharmacists and physicians change quickly. These influence us to have different labels, packages, and promotion materials. But the problems will diminish into relative insignificance as time goes on.

With the new sets of rules will come new attitudes.

The European, a traditionally secretive and perhaps somewhat suspicious man, will under these circumstances far more freely share his inventions, techniques, and know-how with his collaborators across his own national borders. This will further enhance the highly developed sense of quality workmanship and increase productivity of the European worker. More than ever, this increasing productivity, combined with Europe's fresh approach, and superimposed on a by-and-large impressively high quality product and extremes in service and finance flexibility will create keenly competitive conditions everywhere for Great Lakes Industry.

The Threat

The Great Lakes Area manufactures and, presumably, exports proportionately the following percentages of all of the various products made in America:

Automotive equipment	86.9%
Machinery	51.6
Basic metals	44.1
Fabricated metal products	41.5
Rubber products	41.3
Electrical machinery	37.8
Chemicals	23.1
Pharmaceuticals	28.9

The Area's total exports to the world amounted to about $4.5 billion in 1957, over 25% of the U. S. total.

The European Six, in 1955, imported from the U. S.:

Automobiles & parts	$81 mill.
Industrial and office machinery	94 "
Machine tools & parts	59 "
Construction and mining machinery	34 "
Electrical machinery	41 "
Chemicals and pharmaceuticals	153 "

Conversely, Europe's exports during the same period to the U. S. as a whole amounted to $1,230 million. Their exports of commodities similar to those made in the Great Lakes Area to the world during 1955 were approximately:

	mill.
Automotive equipment	$1,005
Machinery	1,315
Metals and manufactures	1,817
Electrical machinery and apparatus	1,067
Chemicals	856

These commodity groups form the backbone of Europe's foreign trade, which as workshop of the world imports raw materials and exports finished manufactures. Thus, as their efficiency increases and their costs come down, we can confidently expect ever-increasing pressure from such European exports, to the detriment of our own direct exports. These are now made by an estimated 1,959,000 people in the six-state Great Lakes Area and—I repeat—mean an income of $4.5 billion.

Pressure on our sales in the U. S. market has already manifested itself. Rapidly increasing imports of automobiles, radios, sewing machines, and, of course, optical equipment are well known. Less publicized is the sizable growth of imports in construction machinery, agricultural tractors, earth moving equipment, special steel and aluminum products, typewriters, and other office machines, cement, glass, and pottery products, and furniture. Well buried in the import figures, but nevertheless an important segment for consideration by midwestern small business, are subassembly and component imports for ultimate assembly in the U. S., from either a contract manufacturer or the European subsidiary of the manufacturer himself.

Then, we must think about the impact of the accelerated European effort in third markets, which heretofore may have been ours. Without any doubt, as Europe's industry consolidates, savings in costs due to volume purchasing, mass production and closing of inefficient units will permit them to be even more competitive. Conversely, as our export tonnage here declines, and overhead is distributed over a smaller volume of sales, our costs will be higher and we shall become less competitive.

If present projections regarding the impact of the European Market on world trade turn out to be valid—and I think they are very much on the conservative side—direct exports from this area are likely to decline by anywhere from 10% to 20%. The loss of export income and decline in employment opportunities of the same magnitude must naturally be anticipated.

If all this sounds formidable, and perhaps a little frightening, let me turn to the other side of the coin. What are our inherent opportunities?

The Opportunity

Purchases of durable and soft goods by a rapidly increasing population, bent on equaling the U. S. standard of living within the foreseeable future; investment in plant and equipment by European industries on an unprecedented scale; and the existence of a mass market, the size of the United States, are factors which perhaps were not so evident before the proposed amalgamation of Europe.

Fortune, based on a study by OEEC, stated flatly, that in the next 12 years Europe's

Annual investment in energy will rise a third;

Investment in public works by 50%;

Transport equipment by 30%; and In services by 25%;

Per capita consumption of goods and services will increase by 4% annually.

U. S. industry, if not already established on the Continent, to take full advantage of the eventual customs differential, should at an early date consider doing so. If it brings new products, techniques, patents, or processes to Europe, it will reap its well deserved reward, not only in ECM itself, but by its own imports into the United States and exports to third markets. It can have components made there of high quality and at lower costs than here. It can adapt itself more readily to market peculiarities everywhere by producing or packaging small runs, if necessary. Thus, if in Europe, the Midwest manufacturer, for example, can supplant his loss of export tonnage not only by intangibles income (patent and trademark royalties, engineering and management fees, dividends and interest on his investment), but add to his present volume increased sales in Europe, and increase his profits by lower cost manufacturing. As long as American ingenuity in creating new products and techniques endures, these added benefits can and should accrue to us. Many midwest industries have led the way, from automobiles to office machines, from pharamaceuticals to materials handling equipment. New associations are formed daily by the large and medium industries of our area. But it is not necessary to be big — most plants in Europe are quite small, but have keen management anxious to collaborate with us for our mutual benefit, to combine the best of two worlds.

Summation

To sum up, the European Common Market to the Great Lakes States will mean a decline in export revenue, employment opportunities, and somewhat higher costs. It will result in an increase in intangible exports of know-how and techniques. For managers, it will mean more travel, of necessity a broader outlook, more intimacy with world affairs and their own industry's worldwide ramifications. It will require better planning of production and will result in more stability in the business cycle, as employment is more widespread and the making of a product affects more people and areas.

The European Common Market will have to consider the ramifications of further trade areas, such as the Nordic Union and the ABC States in Latin America.

For Britain it will mean reconciliation of the conflict between her Commonwealth and European interests.

For us in the Midwest it means that there is a profound effect for better or worse. It is up to us to make sure that it will be for the better.

Hayden, Stone Will Admit New Partners

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on March 1 will admit William F. Bohner and George B. Seager to general partnership in the firm, and H. S. Bijur, V. S. Coyle, F. H. King, Chester R. Knowles, and V. W. Leathers to limited partnership.

On Feb. 28 Earl H. Rodney, member of the Exchange, James T. Loree, and Howard S. Thomas will withdraw from limited partnership.

Schirmer, Atherton Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—Jon L. Rando is now with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. He was formerly with Harris, Upham & Co.

With Harry W. Peters

(Special to The Financial Chronicle)

GRAND JUNCTION, Colo.—William W. De Voe has been added to the staff of Harry W. Peters, 610 Rood Avenue.

The Not Too Strange Parallel Of U.S.S.R. Today and Hitler

By PAUL EINZIG

Dr. Einzig commends the U. S. A. for not falling into a trap of increasing the strength of the U. S. S. R. and urges we devote all our available resources to winning the race of economic supremacy. In drawing a parallel between U. S. S. R.'s and Hitler's professed peaceful aims, the writer opines that had we acceded to Mr. Mikoyan's request for long-term loans, Russia would have used the credit to improve its economic conquest of uncommitted countries. Dr. Einzig advises trade with U. S. S. R. be on a cash basis and urges that wage demands be moderated to allow capital stock for economic strength.

LONDON, Eng.—The announcement of Mr. Khruschev's plan foreshadowing a spectacular expansion of production during the next seven years has given much food for thought on this side of the Iron Curtain. Optimists interpret his ambitious plans as an indication that he does not intend to embark on world conquest by force of arms. Any increase in military expenditure would gravely compromise the prospects of raising the standard of living and the production of capital goods. Therefore, the optimists argue, we may expect a period of peace and quiet while the Soviet Union is engaged in the execution of Mr. Khruschev's plan in the economic sphere. Unfortunately, some of us remember a speech made by Hitler shortly before the war, in which he sought to ridicule the idea that he intended to emark on a war, pointing out that it would play havoc with his grandiose building plans in Berlin and elsewhere. So it would be a mistake if we allowed ourselves to be lulled into a false feeling of security by Mr. Khruschev's plans of economic expansion.

Dr. Paul Einzig

But even if we assumed that he would avoid seizing additional territories while engaged in the seven years' plan, there would be no cause of optimism. For if the Soviet Union were to carry through the ambitious plans of expansion it would become a most formidable opponent in the economic sphere. Already there have been indications during the last year or two that the Kremlin intends to fight the cold war with economic weapons. Various materials were dumped on the world market at unnecessarily low prices, in order to aggravate the difficulties caused by last year's fall in raw material prices. But when Moscow found that such operations tended to antagonize the uncommitted raw material production countries there was a change of policy. The Soviet Government agreed to limit its exports of tin, for instance.

Last year's experience, however, gave a foretaste of things to come. When the industries of the Soviet Union have expanded sufficiently to satisfy the most urgent requirements of the Communist Bloc, the surplus will be dumped on the world market, in order to embarrass the western countries. The sooner Russia has succeeded in expanding her industries the sooner will the free countries have to face such attacks on their prosperity and economic stability.

An Insult to American Intelligence

In the circumstances the recent attempt of Mr. Mikoyan to persuade the United States Government to grant long-term loans to the Soviet Union was foredoomed to failure. It was indeed an insult on the intelligence of American statesmen for him to imagine for a moment that he could possibly succeed. He should have tried to persuade the businessmen who gave him such a friendly reception to translate their friendly feelings into the practical form of long-term loans. He would have received an answer fully as emphatically negative as that given in official American quarters.

American businessmen naturally showed hospitality to a distinguished foreign visitor. On the basis of their attitude Mr. Mikoyan reported back to Moscow that in the United States everybody except the Administration is friendly towards the U. S. S. R.

In this respect, too, history repeated itself. Herr Ribbentrop sent somewhat similar reports to Hitler on the basis of his contact with the British "upper ten" during the late 'thirties, misleading his chief into believing that his world-conquering plans would not encounter resistance on the part of Britain.

Why did a highly intelligent man such as Mr. Mikoyan undoubtedly is expect the United States to assist actively the Soviet Union in its plans of world conquest by economic means? Possibly he may have derived hope from the experience of 1939 when Mr. Chamberlain offered Hitler a gigantic loan in an eleventh-hour attempt to dissuade him from enbarking on war. The timing of the request following on the ultimatum over Berlin seems to indicate that the demand about Berlin must have been put forward mainly in order to induce the United States and the other free countries to appease Russia in the same way as Mr. Chamberlain attempted to appease Hitler — through the offer of large financial facilities. Had the idea of the £1,000 million loan made on the eve of the war become reality it would have greatly strengthened Hitler's Germany which would have been able to embark on a war a little later with considerably increased power. Fortunately the American statesmen avoided falling into the trap.

Considering that the Soviet Government grants long-term credits to other countries in order to secure influence in their economies, it was indeed absurd that Mr. Mikoyan should try to obtain long-term facilities from the United States. Had his demand been satisfied the Soviet Government would have been in a much better position to offer financial aid to countries where it wishes to strengthen its position. Why should the United States or any other free country assist the Soviet Union in its efforts to strengthen its position in uncommitted countries?

Advises Cash Trade Basis

Even without such assistance, the strength of the Soviet Union in the economic sphere, and its power for mischief is bound to increase during the next few years. The free countries would be foolish if they tried to assist it towards its goal. They should devote all their available resources towards strengthening the free world in the coming race for economic supremacy, instead of weakening themselves by granting assistance to their enemies. Whatever trade there is with the Communist Bloc it must be on a strictly cash basis. Indeed, it is the experience of British firms dealing with the Soviet Union that they take unwarranted risks unless the whole amount involved in the contract is secured in advance by means of confirmed credits with a British bank. Otherwise the Soviet authorities are in a position to cancel the contract, and the firms concerned are bound to incur heavy losses.

In any case, the free world is gravely handicapped in the race for economic supremacy, because of the unwarranted wage demands. From time to time economic expansion has to be reversed in order to check the inflationary effect of excessive wage increases. Also, as a result of excessive equalitarianism in the democratic countries, too large a proportion of the productive capacity is used for the purpose of satisfying the ever-increasing consumption, and there is not enough left for the production of capital equipment. In the Soviet Union, on the other hand, the standard of living has been kept down in order to be able to expand producing capacity. Our only hope to win the race is to persuade the workers of the free world to moderate their demands so as to leave enough resources for capital equipment and to obviate the necessity of checking expansion in order to stop inflation.

T. M. Johnson Member Of Ga. Port Authority

SAVANNAH, Ga.—Thomas M. Johnson, President of the Johnson, Lane, Space Corporation, and its affiliate Johnson, Lane, Space and Co., Inc., has been appointed a member of the Georgia Port Authority by Gov. Ernest Vandiver.

Thomas M. Johnson

Mr. Johnson, a member of the New York Stock Exchange, began his investment career in 1921 with the Citizens & Southern National Bank, remaining with the bank and the Citizens & Southern Co. until 1933 when Johnson, Lane, Space and Co. was established.

What the New Business Cycle Needs to Replace the Postwar One

By STAHRL EDMUNDS*
Manager, Economic Studies Department
Ford Division, Ford Motor Company, Dearborn, Mich.

In going beyond a sober optimistic outlook diagnosis for 1959, Mr. Edmunds views this year and the next few years as a transitional period from the long postwar cycle into a new, fresh one. The industrial economist advises we must have a spectacular series of innovations in consumer markets and major reforms in management to replace the generating forces contained in the old cycle just ending. Contends we need a greater massive effort beyond our good start in creating new products for a new boom, and urges different approach by management than in past dozen years to allow creativity. He would, for example, research consumer latent wants and non-buying reasons rather than what consumers have been buying and, also, would change some of management's methods.

The most encouraging fact in the market place is that consumers are again buying in force. Total retail sales of all stores have recently spurted 4% ahead of a year ago, a marked change from the tendency through September of 1958 for sales to lag behind 1957 performance.

Stahrl Edmunds

The significance of this retail buying is that the economy is now gaining support from private demand; and this is a sign of strength for 1959. The recovery in business conditions from April through September of 1958 stemmed largely from two factors (1) a tapering off in the heavy inventory liquidation that had depressed production early in the year, and (2) the expansion in Federal, state and local government spending. These forces alone, however, could scarcely be the basis for a sustained expansion in business conditions, without a broad rise in private demand.

The strengthening in private demand is now seen in three forms, (1) the rise in consumption evidenced by retail trade, (2) the expansion in construction evident in higher contract awards and housing starts, and (3) the improvement in capital investment outlook shown by an upturn in capital appropriations and a larger volume of orders for durable goods. Based upon these favorable developments, an increase of about $30 billion, or 6%, in Gross National Product during 1959 is likely. About half of this increase will originate in consumer buying.

One could easily take these facts and generate a very exuberant outlook for 1959. But I regard these encouraging facts as building blocks for a future expansion, rather than as the assurance that a new boom is here. In effect, I believe the business keynote for 1959 is one of sober optimism. The optimism about 1959 is that the economy is again rising by its own power, that is, from private demand. The sobriety of 1959 is that it will continue to be a year of economic readjustments.

Economic readjustments will persist because we are shifting from a very tired old business cycle to a fresh and new one. I am speaking now of fairly long cycles of the order of 10 to 12 years. Recent events indicate that the United States is at the end of the postwar economic era. Most of the economic events from 1946 through 1958 could be traced to conditions peculiar to a postwar period, such as high liquidity of consumers, an enlarged population, inadequate housing, and inadequate stocks of durable goods in the hands of consumers. The production requirements generated by these enormous demands led finally to a huge capital expansion program during 1956-57, and this capital expansion program is what has closed the long postwar cycle. Now, at last, it is possible to produce more than enough to satisfy consumer demand for all the goods that customarily go into the present standard of living.

The next few years will continue to be years of transition because we, in business, now have the task of creating new living standards for a new era. We need to give a jaded market an influsion of new products and new ideas. New products and new ideas are the very essence of a growing economy. Economic growth has recently been the subject of much speaking and adulation. But one aspect that is seldom mentioned is that economic growth is accompanied by growing pains. Business experienced those growing pains in 1958 and the twinges will still be with us in 1959 and 1960.

Consumer Market Innovation

The fact is that we need a series of technological explosions in consumer markets to launch a strong, new business cycle for the 1960's, just as great missile and rocket advances were needed to launch the military into the space age. The pressure upon private business management is to bring these technical advances in consumer markets into being rapidly enough to stimulate broad new demands, to create the vision of a new way of living, to generate a surge of buying based upon new consumer wants, and through this new demand to foster new capital investment. These are the conditions upon which an early and expansive boom will be based. If management cannot do these things, if business tries to get by just making more of the same, we could encounter some very indifferent years until the mid-sixties when new family formation by itself will stimulate economic activity.

What is the evidence for the need to innovate in consumers' markets

The evidence is found in sales statistics for 1958.

(1) While automobile sales generally in 1958 were down by 25% from the previous year, due to the business cycle, the new Thunderbird sales were up 330%. Here was a new and usual car, and it surpassed all other volume cars in sales gain during a recession.

(2) Consumer buying plans for new cars increased by a third following introduction of the 1959 models. Again, the upturn accompanied a cyclical business improvement, but buying plans also went up as consumers perceived a marked change in new models. In fact, consumer perception of difference and newness in the 1959 models was 40% greater than the previous year.

(3) Television retail sales were down 9% early in the year, but recovered to show a 3% gain toward the year-end after the flat television tube and cabinet were introduced.

(4) A host of newer products such as boats, outboard motors, the electric eye camera, stereophonic record players, tape recorders, and hula hoops sailed through the recession with banner years.

(5) Lastly, the redoubtable food industry consistently achieved six business conditions. While we usually think of food as a staple, actually it is a mushrooming industry of new tastes, new packages, and new conveniences designed to appeal to the most harried Americans, the mothers.

Urges Massive Effort

These few examples indicate that American business is off to a good start in creating the new products needed for a new boom. But a more massive effort is required to carry a business cycle into a strong upsurge from 1959 to 1970. After all, the boom of 1946 to 1958 was built upon all the accumulated innovations generated in the 15 years from 1930 to 1945, as well as upon its own inventiveness. Today we have no backlog of ideas to draw upon. We must propel the next business cycle by our own efforts. It will be a "think-as-you-go" boom if there is to be any boom at all.

Now, my point is that a "think-as-you-go" boom requires a different approach to management than we have had during the past dozen years. The past dozen years were a "more-of-the-same" boom.

"More-of-the-same" management is like a close-order drill, everyone in step, everyone moving together, everyone wheeling on the command. This kind of management works because the goal of the business is simple, clear, and tangible. Build more of the same. Sell more of the same. We know how to do that, because it has been done before. Hence, the tasks are known; they can be assigned. People can be given specific duties; their performance can be checked. Management can organize around functions, functions can be broken down to procedures, and procedures into jobs. The past ten years might well be called the Decade of Job Descriptions in business. It brought into fruition the fine art of fitting men into jobs.

But times change, and this kind of management will not be appropriate during the next decade. Instead a "think-as-you-go" management will have to stress creativity in men to bring into being new products and innovations. Unfortunately, men do not think very well in close-order drill. They do not think well when fitted into a job because their thinking is molded by predetermined duties and handed-down goals.

Organizational Paradox

Men think best as individuals when they are encouraged to do what they feel needs to be done. To be inventive and creative, men must act in new ways; and an action is always preceded by a decision to act. This raises an organizational paradox for management. On the one hand management must allow individuals more leeway in their decisions in order to foster creative acts: on the other hand management itself must retain power to make decisions which govern the general direction of the enterprise.

Are these two courses as incompatible as they appear?

I think not. I think it is possible for executives to develop a new mode of management that encourages individuality and creativeness while maintaining control and general direction of the business. How this will be done is the major management problem of the next decade, and it will be solved only through the ideas, work and experimentation by many people in many businesses. But since this paradox of creativity vs. control will give rise to the main pressures on management during the next decade, I would like to offer a few guidelines on the direction I think this new mode of management may take. Three developments in management seem to me most promising to meet the needs of the coming decade. These are:

(1) The redirection of product plans toward filling consumer's latent wants rather than their recent wants.

(2) A reversal in organization thinking—at least in research and planning activities—in which jobs will be fitted to creative men, rather than men fitted into jobs.

(3) The development of rapid and comprehensive information systems on the physical actions in business.

Research Non-Buying Reasons

First, the redirection of product plans toward the fulfillment of consumer's latent wants will require a new depth to market research and market planning. Marketing has in recent years rested upon an exhaustive analysis of what consumers have been buying, why they have bought, and what they liked about what they did buy. This represents only the top part of the iceberg. Underneath lies an enormous, submerged mass of attitudes that govern consumer's refusal to buy. Non-buyers are worthy of as much study as buyers. Knowledge of why people do not buy would be of utmost value to product and marketing management. The reasons behind non-buying represent wants that cannot be filled by existing products. The reasons for non-buying represent a new set of wants—a scale of values—which people would like to fulfill if they could. Here, then, is a tool of great significance to determine the future direction of product plans, research, and the creative energies of management.

New Outlook on Organization

Secondly, the creative side of management can be strengthened by a new outlook on organization. Instead of assigning duties from the top down, management can generate a tremendous reservoir of ideas by seeking solutions from the bottom up. All of the problems and solutions of a business are known collectively by people in the enterprise. No one has all the answers, but everyone has part of the answer. Consultants charge large fees to go into a company, interview the people in it, and write a report on the answers employees give them. Why should not management do this itself, regularly, as a normal part of its administrative method? As an extension of this method, management can find out—not only what people in the company think should be done—but what each individual himself wants to do. If each individual is given the tasks he believes important and wants to do, he will act vigorously and creatively. However, the method of organization, at least in research and planning activities, will have to be very fluid because the things individuals want and need to do may cross departmental lines. In these cases, business may well organize around men rather than jobs. The most creative men will be the center of project organizations, which would change, form and reform as projects change. The project organizations would have to operate freely without being limited by functional boundaries. The organization would be an internal flux, somewhat difficult to manage, perhaps. But ideas are born out of flux; and this idea-generating mechanism is what business will require in the future.

New Managerial Tool

Thirdly, management will need to develop a rapid and comprehensive information system on physical actions in the enterprise, because this is the principal means by which the flux can be kept under control. The reporting system will concentrate on physical actions in the enterprise, rather than on dollar transactions. The reason is that human decisions and actions will show up earliest in some physical event—the movement of material, a piece of paper hiring an employee, a machine breaking down. Management wants and needs the earliest measure of action it can obtain, for this is the level at which action can be controlled. Management can control these actions through a report that shows (a) actual performance — what, where and when, (b) standard performance—or what should have been done, and (c) any variance between the two. The knowledge of variations in what was done versus what should have been done is a powerful tool in the hands of management. It will enable management to control an enterprise in spite of the flux in a creative organization.

I realize I have summarized some broad management ideas very briefly in this short paper. Those who are interested in specific illustrations of how these ideas may be applied are referred to my article in the current issue of the *Harvard Business Review* entitled "The Reach of an Executive" or the forthcoming book "New Dimensions of Management."

Summary

In conclusion, we have noted that business conditions are now gaining strength from private demand. A gradual improvement in the economy may be expected to continue in 1959. However, 1959 will also be a year of transition in the sense that there will be pressure upon management to find and fulfill new consumer wants. Indeed, a fresh, sustained business cycle during the next decade will require a spectacular series of technical advances in consumer markets. Bankers, are in a key position to help management organize enterprise creatively to bring these technical advances into being. By their sage managerial advice and lending power, they can help business generate the new products, ideas and innovations which will fill latent consumer wants. In their wise guidance toward economic growth, bankers will prosper their clients, themselves, and the nation.

*An address by Mr. Edmunds at the Fourth Annual Forecasting Luncheon of Girard Trust Corn Exchange Bank, Philadelphia, Pa., Jan. 15, 1959.

Broad Street Sales Appoints Chas. Dodge

Charles M. Dodge has been appointed Manager of Dealer Services for Broad Street Sales Corp., 65 Broadway, New York City, it was announced by Milton Fox-Martin, President of that organization.

Charles M. Dodge

As Manager of Dealer Services, Mr. Dodge will have charge of sales promotion and will work with securities dealers in connection with the new mutual fund sales service program that Broad Street Sales has undertaken.

He takes over the duties of Mr. Erik Reinders, who recently became a District Manager of Broad Street Sales Corporation.

The Application of Mathematical Statistics to the Stock Market

By DR. VERNON W. STONE, Professor of Business
and
CHARLES MERWIN BROWN, Research Assistant of
Maryland State College

Messrs. Stone and Brown, assuming that accuracy of prediction is increased through better understanding of market activity patterns, offer analysis of selected change data for International Business Machines over 30-day period. Offer method as another objective technique, which in combination can spell the difference between "harnessable prediction and unharnessable risk."

Numerous analytical techniques have been applied to the stock market. The basic purpose, of course, is to gain a better under-

Dr. Vernon W. Stone Charles M. Brown

standing of its activity and/or to be able to reap tangible benefits therefrom. Based on an understanding of the stock-market activity patterns, the accuracy of prediction is increased.

Common stock of International Business Machines, Inc., a listed security on the New York Stock Exchange, has been selected as a case in point. The researchers have analyzed selected change data for this blue-chip stock over a 30-day period. The change indexes were Sales, Closing, a Net Change, herein referred to as X, Y and Z, respectively. Data for the month of April, 1958 were analyzed. The published source of the information was *"The Wall Street Journal,"* Volume CLI, Nos. 64 through 84, inclusive. Twenty-one stock-market days were involved.

The Basic Findings

The following table provides the basic findings:

TABLE I—Showing the Means, the Standard Deviations, and the Inter-Coefficients of Correlation for the three variables or indexes.

	X	Y	Z
X	1.00		
Y	.08	1.00	
Z	.44	.20	1.00
M	37.57	343.75	.28
SD	15.23	5.91	3.16

Concerning the mean (M), it can be seen from the table that the Sales (X) of stock averaged more than 3,700 shares for the 21-days. Despite a variety of Closing prices (Y), the average for the period was \$343.75 per share. Although the third index, Net Change (Z), ran the + course, the average change for the period was computed to be only 28 cents.

The standard deviation (SD) is interpreted here as the spread, or dispersion, from the mean. A high standard deviation, therefore, indicates that the readings for the 21 days were dissimilar, whereas a low standard deviation indicates that the readings for the 21 days were similar. A value of more than 1,500 for Sales (X) shows that the number of shares of stock sold for the period varied markedly. Such indicates that some of the stock-market days had to show several hundred shares more than the average of 3,700 and some had to show considerably less than that average. The spread of the Closing (Y) was less pronounced than that of the Sales, in that the overall variation was less than \$6. On the other hand, the spread of the Net Change (Z) was found to be particularly erratic. The Net Change spread of more than \$3, in part accounted for by the algebraic signs, is patternless.

The Correlation Between the Indexes

The correlation between any two of the three indexes indicates the relationship between them. The coefficient is simply the value of that relationship. A coefficient which approaches 1.00, the maximum value, indicates a substantial relationship. A coefficient of 1.00 would indicate a perfect relationship; that is to say, the two indexes under consideration would be subjected to the same influences and would respond in exactly the same manner. As a result, one could be precisely predicted from the value of the other. In short, knowing how one index responds, permits us to know exactly how the other will respond.

The relationship between Sales and Closing (XY) was found to be .08. There is almost no relationship between these two variables. Hence, one cannot be predicted from the other with any degree of certainty. Knowing the value of Sales, for example, will not help us much in our attempt to predict the value of Closing. The relationship between Sales and Net Change (XZ) was found to be .44. There is obviously some noticeable relationship between these two indexes. Knowing the value of Sales, for example, we will be able to predict Net Change approximately 10% more efficiently than we would if we did not know the value of Sales. The relationship between Closing and Net Change (YZ) was found to be .20. There is a slight relationship between these two indexes. Knowing the value of Closing, for example, we will be able to predict Net Change approximately 2% more efficiently than we would if we did not know the value of Closing.

Any security can be subjected to a similar analysis. Perhaps the real contribution by the writers is the application of another objective technique to a vital area. To be sure, a given technique *per se* can hardly provide adequate information for investment purposes. Yet, a combined application of diverse effective techniques can spell the difference between *harnessable prediction* and *unharnessable risk.*

Robert Lewis Adds

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill. — William G. Myers is now with Robert G. Lewis & Company, Rockford Trust Building, members of the Midwest Stock Exchange. He was formerly with A. C. Allyn & Company, Incorporated.

Joins A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Ill.—William C. Patton has become affiliated with A. G. Edwards & Sons, 609 East Monroe Street. He was previously with A. C. Allyn & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

When Congress gets around to it, which I doubt will be very soon, it should go into the question of farm organizations. If there was ever any doubt as to the National Farmers' Union it should be dispelled with the broadside it has just delivered against the American Farm Bureau Federation.

Carlisle Bargeron

Both organizations, it seems, have entered into the fight over the Kennedy labor bill, supported by the AFL-CIO and with some good features which, however, do not hit at the heart of labor racketeering. The Farm Bureau Federation is on the Administration side, favors the Administration bill, and says the Kennedy bill does not eliminate the real abuses of organized labor. The National Farmers' Union comes along and fully endorses the Kennedy bill and says the Farm Federation Bureau is aligned with the National Manufacturers Association and the United States Chamber of Commerce.

The point has been made before in this space that the National Farmers' Union worked hand-in-glove with the CIO. Their present stand would seem to prove it. That, and their attack upon the Farm Federation.

The Farm Bureau has far the greatest membership. But the Farmers' Union is far better at agitating. Throughout the Middle West, in addition to their membership, they own several of the important elevators. In many communities the only way in which the farmer can get rid of his grain is through an elevator owned by the National Farmers' Union. He is signed up as a member whenever he takes advantage of its facilities. The Farmers' Union makes plenty of money out of these elevators and a great amount of it is used for the purposes of propaganda. It is anti-capitalist propaganda, namely, the farmer is downtrodden and the big moguls, including the meat packers and chain stores are squeezing the little farmer to death. The farmer is continually being fed raw meat.

The Farmers' Union is against Ezra Benson and has been responsible for much of his trouble. But the facts are that under the Farmers' Union program the farm program is now costing us \$6 billion a year and the farm surplus on hand is \$9 billion.

All sides agree that something must be done about the farm program. The first thing to do is to investigate the Farmers' Union. In 1950 Senator Styles Bridges of New Hampshire, made a speech on the Senate floor charging that several influential members in the Farmers' Union were Communists. He did not charge that John G. Patton, the President of the union or that old "Baldy" Brannon, Secretary of Agriculture, under Truman, were Communists, but he did claim that other influential leaders in the organization were Communists. Certainly nothing any worse has ever come from Khrushchev's tongue than some of the bitter poison that emanates from the Farmers' Union's publications.

One reason no effort is made to go into the Farmers' Union is that several Republican members from the Mid-west belong to it. They are joiners. The Farmers' Union is strong in their states, just as the teamsters were strong in certain states. So they joined up instead of trying to tell their constituents about this movement. It is the easier way, the usual way that politicians have of doing things. Furthermore, when farm legislation is up those members of Congress vote with the Farmers' Union.

Something about the farm problem should be done at this session of Congress. But it won't be. The Democrats will pass a bill, the President will veto it and we will be right back where we were.

Secretary Benson has long known where his real opposition was in the farm belt. He is of a mind, himself, to expose the Farmers' Union but always there is a hush hush on the part of the politicians.

One good thing about the Farmers' Union accusing the Farm Bureau of being in collaboration with the National Association of Manufacturers and the United States Chamber of Commerce: The Farm Bureau may decide to fight back. That has been its weakness. It tries to play a nonpartisan game and just issues a statement of principles. The latest attack may serve to prove that the Bureau must adopt a fighting policy.

Kuhn, Loeb Group to Offer Jamaica Bonds

The Government of Jamaica, the largest of the British West Indian Islands, filed on Feb. 4 with the Securities and Exchange Commission a registration statement relating to a proposed public offering, late in February, of \$10,000,000 sinking fund external loan bonds due March 1, 1974 and \$2,500,000 serial external loan bonds due semi-annually Sept. 1, 1960-March 1, 1964. The offering will be underwritten by a group of investment banking firms headed by Kuhn, Loeb & Co. Interest rates to be borne by the bonds and the offering prices will be announced later.

The bonds will be the first Jamaica issue to be payable in United States currency (principal and interest will be paid in New York City) and will be direct and unconditional general obligations of the Government of Jamaica. In addition to pledging its full faith and credit for payment of the bonds, Jamaica will agree to maintain an account in New York City, consisting of U. S. dollars or U. S. Government securities in an amount of \$1,250,000 (or the equivalent of the next 12 months' service on outstanding bonds when that becomes smaller as the bonds are retired), the account to be available to the Government of Jamaica if necessary for payment of interest, sinking fund, and serial bond maturities.

The sinking fund for the 15-year bonds will provide for semi-annual payments calculated to retire 100% of the issue by maturity.

The 15-year bonds will not be redeemable prior to March 1, 1969 except by operation of the sinking fund.

Jamaica is part of the 10 member Federation of the West Indies established on Jan. 3, 1958 under the British Caribbean Federation Act; other members of the Federation are Trinidad, Barbados, Grenada, St. Lucia, St. Vincent, Dominica, Antigua, St. Christopher-Nevis-Anguilla and Montserrat.

The Economy Today and Tomorrow

By DEXTER M. KEEZER*

Vice-President, McGraw-Hill Publishing Company, Inc., and Director of the Department of Economics

Terming our recent slump essentially the "Sputnik Recession," Dr. Keezer maintains a major additional cause ensued from glut in automobile distribution — underlining our basic need for successful marketing as a key ingredient of a successful economy of abundance. Terms it "uncomfortably clear" that government expenditures and deficit financing have been pulling us out of the recession. Predicts general course of business will be upward right through 1959, with substantial rises in Gross National Product and personal incomes—with unemployment and price inflation justifying some worry. States higher corporate profits may validate the rush into the stock market, but warns of potentialities toward dizzy speculative boom —and crash.

With an eye cocked toward the special interest of those engaged in marketing I propose to ask and answer the following questions:

Dexter M. Keezer.

Where does business stand now?

How did we happen to slide into the recession?

What has been pulling us out?

Where do we go from here?

What are the principal things to worry about?

How can we reduce these worries?

To answer these questions within the confines of this analysis, I must omit some rather important steps in my fact-finding and reasoning.

Where We Are Now

As we meet here the total volume of business in the United States (the Gross National Product) is running at a rate of around $450 billion. That is a rate about $25 billion higher than it was in the first quarter of this year, the low point of the recession. In dollar volume this is a new all-time record high. Prices are up about 2% on the average. So, in terms of physical volume of business, we are still short of the peak business hit 15 months ago.

Causes of the Recession

I think we may get some light on where we are likely to go from here by taking a look at where we have been lately and why. So I now propose to take a pass or two at the question. How did we happen to slide into the recession?

In detail this question will be debated as long as economists have any wind left in them. There is no shortage in sight here. But some of the key causes of the recession are clear enough. One was a cutback of orders for new industrial plant and equipment. Another was a slashing of new orders for defense equipment. Still another was a severe shock to business and general public confidence created by the launching of the Russian sputniks. In fact, a good case can be made for calling the recession which is now receding the sputnik recession.

But there was another cause of the recession which I find particularly interesting and of special significance for a group which concentrates on marketing. This was the failure of the 1958 automobile models to charm the customers. Before the 1958 model passenger cars were unveiled, it was being confidently predicted in the automobile industry that at least 5.8 million of them would be sold in the United States. But the consuming public did not take to them. Only about 4.2 million of them were sold during the model year. The result was a major contribution to the recession.

There are many questions to be asked and answered in arriving at a complete explanation of the poor sales of the 1958 models. Was the trouble really style or price? Or was it that people were disturbed about business prospects and hence hesitant about buying? Did they have the money and credit to buy a lot more 1958 model cars if they had really liked them?

It is possible to pick up an argument on the right answer to all of these questions. But the fact remains that American consumers had the money and credit to buy many more 1958 model automobiles than were bought if they had liked them, or—in my part of the country—if they had had some place to run them. They did not take much of a fancy to the 1958 models. There was a failure in marketing. The result was a let-down for a whole great industrial complex — steel, rubber, glass, textiles, etc., etc.—serving the automobile industry.

The reason I have stressed this bit of history is that it points up a problem with which we must cope successfully if we are to make our economy work as well as it should. It is the problem of plenty, the problem of abundance. In the intensity in which we are encountering it in the United States, it is a problem unique in human history. Most of the world knows nothing about it.

In the United States we have enough automobiles to provide everyone with quite a good order of transportation. Since World War II we have sold about 65 million passenger cars. We have about 57 million of them in relatively good order. That is enough cars to give every man, woman and child in the country an automobile ride at the same time, or at least until we developed the biggest traffic jam in the history of mankind.

This obviously means that we are under no compulsion of elemental necessity to buy more millions of passenger cars every year. We can take them or leave them. And much the same thing is true of a whole range of things—and particularly consumer durable goods. It is possible to make a plausible case that American consumers are under no compulsion to buy at least one-third of everything being currently produced. So far as their immediate convenience is concerned they can take it or leave it. The third lies in the realm of "optional consumption." But if they decided to leave it I would not be talking rather comfortably about a mild recession. I would be talking about a depression more devastating than any we have ever known.

One of the clearest implications of this state of affairs is that marketing becomes an absolutely basic economic process. There is a tendency, particularly among people of my generation, to think of producing steel, digging coal, growing wheat or manufacturing automobiles as basic, and to think of the marketing of these things as much more superficial.

Any such idea as this, I assure you is thoroughly obsolete. Successful marketing is a key ingredient of a successful economy of abundance. A failure in the field of marketing made a decisive contribution to the recession from which we are now recovering.

In the years immediately ahead, as I see them, marketing is destined to play an even more decisive role in determining our economic success than it has in the years past. This is because I believe we are entering a period when there will be striking alterations in the American consumer's conception of the line of purchases which makes for the best life. I suspect what happened to automobile sales last year will be seen a decade hence to have been a harbinger of such a period of change. Such a development will, of course, enhance even further the importance of the role of marketing.

What Has Been Pulling Us Out Of the Recession

The next question to which I propose to address myself is, what has been pulling us out of the recession? The answer is uncomfortably clear. Thus far it has been primarily government expenditures. We have had a massive injection of deficit financing, largely by the Federal Government. Of the increase of about $25 billion in the dollar volume of business since spring, somewhere around a third can be accounted for by increased government expenditures, mostly Federal. Another third can be accounted for by a slowing up of inventory liquidation. But this has been largely a response to government spending and government orders. And the final third of the $25 billion increase in business has been due to increased consumer expenditures. But this increase, too, can be accounted for in large part by transfer payments by government, for such things as old age insurance and unemployment compensation.

As a whole consumer spending has, as you know, held up remarkably well throughout the recession. At its lowest point it was less than 1% below its peak in the Fall of 1957. This stability on the part of the consumer—a stability not comparably shared by the Government or the business community—obviously makes it easier than otherwise for the economy to negotiate a recovery. But, as I have indicated, most of the driving force in the recovery has been provided by government expenditures and orders. I hasten to add that I am passing neither moral nor economic judgments on the governmental operations involved. I am addressing myself to the question of what has been pulling us out of the recession.

Where Do We Go From Here?

The next question is: What is the general course of business from here out? Where do we go from here? The general course of business will be onward and upward right through 1959. Consumers will have some $15 billion more in income, after taxes, than they have had this year; and they will spend most of it. Our manifold governments will be spending at an annual rate about $5 billion more than they are this year. And business firms will again be increasing their expenditures for new plant and equipment slowly—from an annual rate of about $31 billion this year to $33 billion next year.

Our business firms should, of course, be increasing their purchases of new plant and equipment much faster than they are. For, contrary to a very widespread illusion, an alarmingly large share of our American industrial plant is thoroughly obsolete. For example, a comprehensive census of metalworking equipment just completed by "American Machinist" has disclosed that three out of five metalworking machines are over 10 years old. Modern machines are more than half again as productive as those produced a decade ago. Careful studies made in my office show that we need to spend about $95 billion to get our industrial equipment up to date. If we were to make the headway on that job which should be made next year — a process dependent decisively on more encouraging Federal tax arrangements — business investment next year would be much higher than the $33 billion total I have mentioned. However, as I have already noted, I am putting down what I think is going to happen, not what I think should happen.

Where the total dollar volume of business this year has been about $435 billion, we have what it takes to make the total in 1959 about $468 billion, or an increase of about 8%. This is the average for the year. By way of complaint about what an average fails to reveal, I was recently told of the man who had his feet in the oven and his head in the deep freeze, but remarked that on the average he felt quite comfortable. So to avoid any complaint that I am making myself comfortable with an average, I hasten to add that the total dollar volume of business will be running at a rate of more than $475 billion at this season a year hence.

There are those among my associates who can see the outlines of a rip-roaring boom shaping up by this season a year hence. I can't quite manage to do this yet, for reasons some of which I shall indicate in a moment. But I am reasonably confident that if the boom does materialize it will be about the most uncomfortable boom ever experienced. In the '60s, our bumper crop of juvenile delinquents will no longer be juvenile; they will simply be delinquent. Our economic society will be violently churned up by the new industrial revolution, and we will not yet have learned how to smooth off the very rough edges by making adequate provision for civic amenities such as clean air, clean streets, clean streams.

Since he has written a best-seller—"The Affluent Society"—on the theme, I think I had better hasten to add that I don't subscribe at all to what I take to be my friend Kenneth Galbraith's notion that we should stop worrying about more production and concentrate on using what we've got more effectively. That, it seems to me, would be throwing the baby out with the bath. We need both more production and better utilization of it to improve the civic amenities of our society.

What Is There to Worry About?

For the year 1959, which is as far as I undertook to pierce the veil of the future, I have provided a rather cheerful picture of the business outlook. Then what is there to worry about? As I see it there are two big economic worries. One is provided by the prospect that our economic recovery will not be rapid enough to sop up unemployment at a satisfactory rate. The other and rather inconsistent worry arises from the widespread conviction that rather rapid price inflation is going to persist over the years ahead.

First on unemployment. As I have indicated, the total physical volume of business in the United States is again running at about the same annual rate that it was in the Fall of 1957, when the recession started. But we have about 1.5 million more unemployed than we had then, a total of about 4.0 million. The explanation is not far to seek. Our labor force has increased. Those on the job, particularly in manufacturing, have been producing more per man-hour. This is a standard phenomenon of recession, and recovery from it. Some of the stumble bums are fired; some of those staying on the job feel the urge to work harder; and the best of the available equipment tends to get used. Regardless of the causes, however, the fact remains that we are not generating new jobs fast enough to bring the end of a serious unemployment problem clearly in sight.

One consequence of this state of affairs seems very clear. There will be heavy pressure on the coming Congress to do much more to create "full employment." This has been defined by the eminent British economist, A. G. B. Fisher, cynically but not unrealistically, as that degree of unemployment that does not create undue restlessness among the electorate. There will be much restlessness among the electorate about unemployment during the current session of Congress. And, from all I can discover, the new Congress will be so constituted that it will have much more disposition than the last might have had to quiet this restlessness by adopting new Federal programs designed to create jobs.

But in following such an impulse Congress will be up against one very imposing difficulty. It is that more Federal programs to increase employment can hardly avoid increasing the Federal deficit. Most of those who do careful estimating in that line report that the Federal deficit for the fiscal year ending June 30 next already promises to run from $10 to $12 billion. I wouldn't be surprised if that turns out to be a bit on the high side. But there is no doubt that a whopping Federal deficit is in the making.

The prospect of a $10-$12 billion Federal deficit next June is, of course, one of the mainsprings of the fear that continuous price inflation is to be our lot. This fear of inflation has, in turn, done a lot to speed the rush into the stock market to buy common stocks which have some special capacity to ride along with inflation. It can be argued that the zest to buy common stocks has been largely the result of greatly improved profit prospects for the present year, coupled with what I am told is a marked shortage of high-grade common stocks.

Corporate profits are going to be higher in 1959—quite a lot. And that prospect may go quite a long way to validate the rush into the stock market to buy common stocks. But the fact remains that the sort of rush into the stock market we have had in recent months has potentialities of leading into a dizzy speculative boom —and crash — particularly if it gets nourished by news suggesting that the bet on rapid inflation is right.

A Rugged Dilemma

These twin, strange twin worries, about continuing inflation and continuing unemployment, create a really rugged dilemma. If, for example, those at the credit and monetary controls tighten credit to damp down speculative enthusiasm, they may be checking some industrial expansion needed to absorb unemployment. And if they don't, they may increase the risk of a speculative spree. I don't know what is the most vexing job in the country right now, but I would give that of being Chairman of the Federal Reserve Board a high rating.

And, of course, the Congress will be impaled on the horns of the same dilemma—if that is what happens when you get stuck with a dilemma. If the Congress appropriates more money in an effort to create more jobs, it adds to the fears that a lot more price inflation is in store soon, and hence to the danger of a speculative boom, and bust.

For the short run it is my impression that the fear of continuing inflation is being greatly overdone. In fact, I cannot escape some suspicion that it is being overdone for the longer pull, too. The root cause of inflation, as I

*A talk by Dr. Keezer before the American Marketing Ass'n., Chicago, Ill.

see it, is scarcity. At present almost nothing is scarce—except, I was recently rudely reminded—good economists. In fact, we are more plagued by superabundance than we are by scarcity. This is chronically true in agriculture. Currently it is also true of labor. And our manufacturing industry is also more than amply stocked with producing facilities.

Under such circumstances — of general abundance—it is necessary to assume that we are going to show superlative capacity to bungle the management of our economic affairs in order to entertain comfortably the notion that not merely creeping but trotting inflation is to be our lot over the period ahead. A particularly notable opportunity to test our talents along this line will, of course, be provided by the negotiation of a new wage contract for our steel workers next summer.

In the meantime, as the realization that the fear of inflation, at least over a relatively short run, is being greatly overdone, I expect to see the stock market calm down. This then, leaves as the overshadowing worry that of expanding production fast enough to take up the slack in unemployment at a satisfactory rate. To be done properly, this is primarily a job of marketing. We have ample producing capacity. The problem is to increase "the flow of goods and services from producer to consumer" — a marketing operation.

This is a roundabout way of coming to the inescapable conclusion that people engaged in marketing have been moved right into the center of the economic stage, and given the leading role. Economically we clearly have a relatively good year ahead in 1959. In physical terms the total volume of business, in what I find my convincing calculations, will be up about 7% above that of 1958, and the economy will be on the upgrade throughout the year. But whether we do anywhere near as well as we should depends decisively on how well people in marketing do their job.

I should add that everything I have said is based on one crucial assumption. It is that we shall not start World War III, with atomic weapons, over the period with which I have been concerned. I don't believe we shall. My belief is an exercise in hope and faith rather than knowledge. Granted its validity, however, we have a good economic outlook which, by performing your marketing arts well, I hope you are going to make much better.

Three With Edwards

KEOKUK, Iowa — Harold W. Burdick, Max F. Cutler and William J. Ortman have become associated with A. G. Edwards & Sons, Hotel Iowa Building.

With Carroll Secs.

(Special to THE FINANCIAL CHRONICLE)

BROOKLINE, Mass. — Francis G. Doherty is now with Carroll Securities Company, 1731 Beacon Street. He was formerly with Keller Brothers Securities Co., Inc., and Vickers Brothers.

Now With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Harold B. Huff, Jr., is now affiliated with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Now Corporation

PORTLAND, Oreg.—Donald C. Sloan & Co., Cascade Building, is now doing business as a corporation. Donald C. Sloan, formerly sole proprietor, is President of the firm. C. G. Sloan is Vice-President and Donald C. Sloan, Jr., Vice-President and Treasurer.

R. B. Price Partner In J. J. Ryan & Co.

NEWARK, N. J.—Raymond B. Price has been admitted to general partnership in the firm of John J. Ryan & Co., 790 Broad Street, dealers in state and municipal bonds and specialists in New Jersey municipal securities.

Mr. Price began his banking career with the Fidelity Union Stock & Bond Company in 1930. He is a former Treasurer of Colyer, Robinson & Co., investment bankers, which firm he joined in 1934 when the Fidelity Union Stock & Bond Company ceased trading activities. He was also associated with the Trust Department of the Fidelity Union Trust Company and left that post in 1951 to become Office Manager of Ryan, Hanauer & Co., the predecessor of the present Ryan firm.

du Pont, Homsey Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Carl F. Ogren has been added to the staff of du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges.

To Form Sorin & Co.

Sorin & Co., members of the New York Stock Exchange, will be formed as of March 1 with offices at 120 Broadway, New York City. Partners will be Murray Sorin, member of the Exchange, general partner, and Patricia Sorin, limited partner.

J. R. Williston & Beane Adds Three to Staff

Robert K. O'Connor, William J. Maguire, and Seymour L. Lubliner have joined J. R. Williston & Beane, 115 Broadway, New York City, members of the New York Stock Exchange.

All of the men were formerly associated with Merrill Lynch, Pierce, Fenner & Smith, Inc.

Mr. O'Connor will become Manager of a new branch office to be opened at 521 Fifth Avenue. He will be assisted by Mr. Maguire.

Mr. Lubliner will become Assistant Manager of the midtown office, which will continue under the management of Abraham Bukaresky, when a move is made to larger quarters at 1370 Broadway.

Form Carl M. Buck Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Carl M. Buck Co. has been formed with offices at 8242 West Third Street to engage in a securities business. Officers are Carl M. Buck, Jr., President; Carl B. Buck, Secretary-Treasurer; and Mario Manigrasso, Vice-President.

Form Variable Inv. Plan

CHICAGO, Ill. — Variable Investment Plan Company has been formed with offices at 11 South La Salle Street to engage in a securities business. Officers are Harold A. Hobson, President; Harold A. Hobson, Jr., Vice-President; and Norman D. Finkel, Secretary and Treasurer.

Problems of Investing Abroad

By L. I. ESTRIN*
Retired Vice-President, Irving Trust Company
New York, N. Y.

Retired banker explains the unique ability of capital invested in extractive industries in the Middle East to venture into an area which is judged to be unattractive for other forms of private capital on the basis of the pointers he gives on the ABC's and problems of investing abroad. Mr. Estrin concludes that the main retarding element in the Middle East is not the shortage of money or natural resources but is the inadequate use and misdirection of resources. He suggests plain speaking by the friends of the underdeveloped world as to benefits of proper investment climate, and the employment of U. N. and U. S. A. technical aid. The author also has advice regarding investments in underdeveloped socialistic economies even when a sincere but reluctant and temporary invitation for foreign capital is tendered.

Introduction

Everyone today believes in "capital investment" abroad, just as everyone believes in "virtue" or "motherhood." Annual Meetings of the World Bank are apt to follow a set pattern: Underdeveloped countries upbraid us for not doing our duty by investing capital within their boundaries. American officials respond by reciting copious figures to refute this reproach, and—in turn—urge the complaining countries to improve the investment climate in their countries.

L. I. Estrin

The recipient countries thereupon issue cordial or peremptory invitations to American capital to flow in their direction. To encourage this flow they pass investment laws which are usually grotesque and establish Investment Committees or Bureaus, centers which often succeed in discouraging whatever feeble interest Americans may display in capital investment in their countries.

The fact of the matter is that while "capital investment" is the subject of all these debates and efforts, there is no meeting of minds on the definition of the term, and still less on the sources of capital, and the motivations which determine its flow.

How Real Is the Factor of "Investment Climate?"

Department of Commerce figures give a dramatic answer: unfavorable climates are as effective as an Iron Curtain in keeping American capital at bay. Excluding petroleum and mining, Latin America had almost 4½ billions of American direct private capital investments, while India, with three times the population of all of Latin American, had 100 million. The matter of "climate," therefore, is of overriding importance. Obviously, capital is allergic to that part of the world which most desperately needs it.

What Are the Advantages of Capital Investment Abroad?

(a) From Point of View of the U. S. Investor:

(1) Ability to overleap foreign tariff barriers and barriers of foreign exchange control.

(2) Availability of cheaper labor, and, on occasion, of high local technical skills.

(3) Saving of freight charges if goods are produced closer to market.

(4) Generally wider margins of profit.

(5) Utilization of locally available raw materials and natural resources.

(6) Tax advantages (including the problem of the so-called "Tax Sanctuaries").

(7) Enlargement of existing business and search for new markets.

(b) From Point of View of Recipient Country:

(1) Inflow of foreign exchange: imported capital plus export proceeds.

(2) Employment opportunities for local labor, and local contractors and suppliers.

(3) Development of skills on labor and mannagement level.

(4) Cultural impact of American methods in the field of production and distribution on the entire way of life—working habits, cleanliness, organization, teamwork, etc.

These benefits to a recipient underdeveloped country run through the entire economy and through the entire social structure in ever-widening concentric rings. The realization of the cause and effect relationship between systematic and organized work and economic reward brings to the people new standards of value. The most significant of these advantages to recipient countries, namely, those I mentioned at the end of may list, are not statistically measurable. Some of the others are susceptible to measurement, and to prove how real they are, I shall recite a few figures published by our Department of Commerce on Latin America. According to these figures:

(1) The direct employment of natives by American industries in 1956 was 625,000 against only 9,000 Americans.

(2) The total paid by American industries for local labor and services in 1955 was $4 billion.

(3) The Foreign Exchange proceeds of exports generated by these industries in 1955 exceeded $2 billion, which not only covered the Foreign Exchange requirements of these businesses, plus all profits remitted to the U. S. parents, but left almost $1 billion as a Foreign Exchange surplus for Latin America.

When we measure these figures, in particular the foreign exchange inflow, against the goals and difficulties of the five-year Development Plan of India, which is trying to accomplish its objectives without receiving any material aid of private capital, we can truly understand their significance.

What Is "Capital"—for Purposes Of This Discussion

(a) Loan Capital: Capital Market in the sense of availability of funds of private investors to purchase bonds of foreign countries may be ruled out as a major source of capital for a long period of time and then only for a few countries with stable and mature economies. Loan Capital, therefore, is available on any significant scale only on a Governmental or quasi-Governmental level:

(I.) U. S. Aid (including the new Development Loan Fund).

(II.) Export-Import Bank.

(III.) World Bank.

(IV.) International Finance Corporation.

Loan Capital accomplishes only one of the major purposes of "Capital Investment"—inflow of foreign exchange. Managerial benefits which flow from the Export-Import Bank, World Bank and International Finance Corporation loans are important but limited. Furthermore, unlike investment capital, it must be repaid.

(b) Portfolio Investment Capital: Like investment in foreign bond issues, investment on any major scale in outstanding shares or new equity capital issues is of very limited applicability with Canada, the prime exception. Shares of other foreign companies of long-established world reputation have been introduced to the American investor in increasing volume in recent years, such as Royal Dutch, Shell, Phillips, Unilever. Investment companies and Investment Trusts specializing in this field are becoming more numerous. Two facets, however, must be borne in mind: this flow does not reach the underdeveloped world; and the investments of the outside world in American securities still greatly exceed our investments in foreign securities.

Therefore, placed in its proper perspective, portfolio investment is not yet a factor in our problem.

(c) Manufacturing and Service Industry Capital: This is the key to our problem. It is this type of investment that carries the full range of mutual benefits which I listed before. What are the sources of this type of capital?

Individual investors alone, or in groups, sometimes enter this field not in pursuit of their own business interests but for other reasons, mainly of an emotional character, e.g. capitalists of Greek origin investing in their old homeland, or Jews in Israel.

The almost exclusive source of this type of capital is the American corporation or firm which goes abroad to enlarge its existing business in pursuit of above-mentioned advantages.

The nature of this capital must be clearly understood by the recipient countries. It is not just cash, disembodied money, like government grants—it is corporate money. Apart from its insistence on a salubrious climate (this we shall discuss fully later) it has these unalterable characteristics:

(a) Capital and management move together as a unit. Where corporate money goes, the corporation, in one way or another (as a direct branch, or subsidiary or affiliation or licensor), goes with it. They cannot be separated.

(b) The second characteristic flows from the first: Corporate money flows only in pursuit of the corporate business, from which it cannot be deflected.

From the point of view of the recipient country this means one vital thing: private corporate capital cannot be channeled by the recipient country into channels of the country's choosing. The only effect of any attempt to channel corporate capital is to stop its flow. A system of national priorities is not enforceable against private foreign corporate capital.

And now, if we are in the clear as to the type of American investment capital that is available, as to its motivations and as to the mutuality of interest and advantages on the part of the investor and the recipient, we can turn to the problem of "climate" with a better hope of understanding why there is an iron curtain between investment capital and those parts of the world which are parched

Continued on page 35

*An address by Mr. Estrin before the "Contemporary Investment Problems" Seminar sponsored by the City College Fund, City College of New York.

THE MARKET . . . AND YOU

By WALLACE STREETE

Despite flareups by selected favorites on occasion, this week's stock market was largely a standoff with much backing and filling by the titular market leaders.

* * *

Rails did show a somewhat sturdier tone than the industrials but it was not rousing enough to snap them out of their doldrums. There was a fairly general feeling that industrials had forged ahead so far, and so long, without the help of rails that their assistance was urgently needed if further topside progress was to be made. Their lack of outstanding vigor, however, apparently wasn't enough to hearten the other sections.

* * *

While there was no progress being made, conversely the list refused to sell down to any extent and except for a momentary, and minor, dip below the line in mid-January has held in solid plus ground over last year's final posting which up to that time was the record peak. That doesn't indicate any special chagrin over the inability of the industrials to scale the 600 level.

Volume Inconclusive

Volume indications were similarly inconclusive, the turnover dipping to a low point for the year early in the week. It was far from being a significant achievement since smaller turnover had been recorded a couple of times in the final months of 1958.

* * *

Steels were bright as a group more times than not when the market was buoyant but, except for Lukens Steel, few of them were overly conspicuous on the lists of new highs which, incidentally, were well shrunken from the long ones that appeared rather regularly last month. There were some hints that the multipoint gains of Lukens, carrying it to a new 1958-59 peak, were largely due to the short sellers getting interested in the item again. In addition, the usual stock-split talk also swirled around this issue that was last split early in 1957.

Weighing on the other steels to some extent was the fact that their labor contracts are up in mid-year, and the realization that whether they have a strike or not will figure importantly in the rebound in their earnings for this year. Allegheny Ludlum, for instance, did only slightly better than half the 1957 per share net during last year. The fact that the issue has been holding within easy touch of its high is largely because earnings this year had been projected at the 1957 level or higher. This is predicated on continuing expansion of volume without interruption and the strike is the unknown quantity. At recent levels the 4% return was above-average which is in tune with the yields of the steels generally but not munificent and a good business recovery would be required before it would be a candidate for improvement.

Blue Chips' Rise Retarded

Where 1958 was a good year for the blue chip issues, the fact has been well discounted and prices are generally high. General Foods, the giant in the packaged foods field, was able to boost net above that of the previous year by a good margin but the return is a scant 3% at its recent high. The traditional advice for these quality growth issues in view of their high standing in the market has been: "Buy on dips." But it doesn't help keep an advance going.

* * *

Autos continue to be the question mark section, even such as Studebaker and American Motors which led the procession last year by their startling improvement in price. The worries over the auto section were complex. The logic went somewhat this way: If the large models of the Big Three go well in 1959, the small car field will be left to Studebaker and American and they will be able to show good results even where, as in the case of American, the tax credit is used up. If the big models don't sell, it will hasten the switch by the larger companies to their own small models and the competition for the two independents will be rough. And if the Big Three are forced into an emergency switch, their profits will be affected adversely. So the auto group was a watch-and-wait one.

* * *

Despite the mild following that rails have been enjoying, the carrier section is still the high yield one even where quality issues are concerned. Southern Railway, one of the better grade rails, has been hovering around the 5% level despite a good showing through the recession year of 1958 and official forecasts that a "substantially better" net per share should be achieved this year. The dividend was well covered last year despite the troubles in the first half.

* * *

A high return in the tobaccos is the 4½% in U. S. Tobacco which, apart from reporting good gains for its King Sano cigarets, is an important factor in the defensive snuff business. The latter product accounts for half of all sales in the country. More important, the big play in certain of the cigaret issues has still bypassed U. S. Tobacco, the shares having held in the narrow price range of 19-32.

Mixed Reactions to the Oils

Oils weren't without their definite attraction, at least statistically, to many of their followers. But obviously the public wasn't in much of a mood considering the problems of the Venezuelan tax shift that cut $90 million from Standard of Jersey's profit sheet and some other local troubles, including anti-trust rumblings over price hikes. Increased taxes on gasoline were also chilling, the presumption being that autoists will cut down their use.

* * *

Union Oil of California, like the industry generally, had some trying times in 1958. Some fairly impartial estimates of Union's reserves set a price tag per share at about double the going market level. On a time-earnings, Union, with a ratio of only 15-times the low 1958 results is far from being overpriced. Ratios for several other comparable companies are over the 20-times mark. The price tag, moreover, is more than a dozen points under its 1957 peak. The company is one that lards its cash payments with a year-end stock dividend and this year's was 4%, or double the declaration of the previous year.

Some of the concern over Union Oil stems from the $120 million of convertible debentures held by Gulf Oil and the dilution of the common stock that will result if Gulf picks up via conversion its 22% ownership of Union. But even here the stock would have to move above its 1957 peak—or a score of points over going levels — before conversion would become probable. And against the dilution effect has to be weighed the confidence shown by Gulf in taking on such a mammoth holding in Union. The West Coast problem has been largely one of oversupplies of fuel oil, mostly because of the switch from oil to natural gas. But against this is the fact that Union represents vast reserves of natural gas with all the profit possibilities the supplies suggest.

[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.]

John Nuveen Opens New Seattle Office

SEATTLE, Wash.—John Nuveen & Co., national investment banking organization with headquarters in New York City and Chicago, has announced the opening in Seattle of its newest regional office, 1411 Fourth Avenue A Building. James G. Frazer is regional manager.

As the oldest and largest investment banking organization in the United States dealing in tax-free public bonds (municipal bonds) exclusively, the company also maintains offices in Atlanta, Boston, Cincinnati, Detroit, Los Angeles, Omaha and St. Paul. The company, now in its 61st year, was founded in 1898 by the late John Nuveen, a Danish-born Hollander.

Mr. Frazer joined the Nuveen organization following nine years of service with Seattle's Pacific Northwest Company, of which he was a Vice-President. Prior to 1950 he was associated with Wm. P. Harper & Son & Co., a Seattle securities firm after having been employed with R. W. Beck & Associates, consulting engineers.

Now Quinn, Neu Co.

Quinn, Neu & Co. has been formed with offices at 40 Exchange Place, New York City, to engage in a securities business. Officers are Kevin Quinn, President; Louis Neu, Secretary; and Peter Neu, Treasurer. Mr. Quinn has been a partner in Quinn, Loughlin & Co.

IDAC Sponsors Investment Courses

TORONTO, Canada — The Invest Dealers Association of Canada is sponsoring public lecture courses on "How to Invest Your Money in Securities" Jan. 12 to Mar. 16 in Burnaby, British Columbia, and Jan. 14 to Mar. 18 at the University of British Columbia in Vancouver.

Lecturers will include Professor L. G. Wong, University of British Columbia; J. L. Duncan, Wood, Gundy & Company Ltd.; W. H. McCormack, A. E. Ames & Co., Ltd.; R. C. Parsons, Wood, Gundy & Company, Ltd.; M. Ryan, Pemberton Securities Limited; N. Thompson Osler, Hammond & Nanton Ltd.; A. Wilson, Royal Securities Corporation, Ltd.; R. S. C. Donald, The Western City Company, Ltd.; and H. Eckman, McLeod, Young, Weir & Company, Ltd.

Northeast Distributors Formed in Boston

BOSTON, Mass. — Northeast Distributors, Inc. has been formed with offices at 50 Congress Street, to engage in a securities business. Officers are James A. Hutchinson, Jr., President; Thomas R. Andresen, Treasurer; and Barbara A. Curtis, clerk. Mr. Hutchinson was formerly a partner in Hutchinson & Co. Mr. Andresen and Miss Curtis have been with H. P. Nichols, Inc.

Bank Holding System Hailed by Economists

Head of Marine Midland releases study by two New York University Professors endorsing group banking structure.

According to a six-month study of bank holding companies made by Dr. Marcus Nadler and Dr. Jules I. Bogen of New York University and released Monday, February 2, such companies have helped assure the public of adequate, efficient and competitive banking service and benefited bank employees and stockholders as well.

Marcus Nadler

Jules I. Bogen

Findings of the economists were disclosed by Baldwin Maull, President of Marine Midland Corp., a bank holding company which owns 11 banks with 168 offices in New York State.

The authors state that this study of America's least known type of banking organization discloses a good record. They add that as a number of regulatory uncertainties have been resolved with the enactment of the Bank Holding Company Act of 1956, group banking is gradually becoming better understood and appreciated.

Bank holding company systems, a native American development, are found by Dr. Nadler and Dr. Bogen to:

(1) Benefit bank employees by broadening promotion and training opportunities, providing uniform retirement benefits and facilitating stock ownership.

(2) Benefit bank stockholders by providing a much greater marketability for their equities.

(3) Benefit customers by furnishing a staff organization to assist managements of affiliated banks to provide a fuller service.

Banks in registered bank holding company systems, the study shows, account for one out of every 17 banking offices in the country, but a much higher proportion in many states of the middle and far west where group banking is most highly developed. Banks affiliated with holding companies have realized a higher than average rate of return on capital funds.

"Banks affiliated with holding companies," the report points out, "retain their identity and a high degree of autonomy. Each bank has its own board of directors, composed mainly or entirely of people living or working in the community or area served by the bank. By its very nature, group banking provides a high degree of decentralization, a dominant trend in business management today."

In its conclusion, the report observes "gradually restrictions and prejudices against multiple location banking disappears in the face of its demonstrated ability to serve growing economic needs." The report draws attention, however, to day-to-day evidence that there is ample opportunity in this country for unit banking, branch banking and holding company banking to grow and prosper side by side.

William H. Griffiths

William H. Griffiths passed away Jan. 28 at the age of 52. Mr. Griffiths in the past was a Vice-President of Lord, Abbett & Co.

More Statements on the Outlook For the Canadian Economy

In our Canadian Annual Review and Outlook Issue of Jan. 29, we published a large number of commentaries from Canadian officials, bankers and businessmen reflecting their individual opinions as to the course of trade, industry and finance in Canada in the present year. The following articles were not received in time for publication in the earlier issue.—EDITOR.

HON. DONALD M. FLEMING

Minister of Finance for Canada

In Canada, as in the United States and abroad, there is encouraging evidence that the economic winds are beginning to blow fair again as we embark on 1959. The paradoxical concurrence of higher than normal unemployment and an inflationary potential in our economy is giving us concern, as, indeed, it is for many other nations. But we are taking firm action towards the objectives of real and sustained growth, maximum employment and stable prices.

Hon. D. M. Fleming

The year 1958 will be remembered as a time when recession was arrested and the fundamental strength of the Canadian economy reasserted itself. Today the omens bode well for a resumption of a high level of economic activity, a resurgence not of boom proportions but one that promises steady and sustained growth.

Canada enjoyed an enormous expansion in 1955-57, paced by a record capital investment boom arising from a rapidly increasing world demand for industrial materials. The decline in world commodity markets and the tempo of international trade in 1957-58 could not and did not leave Canada unscathed. Slackening growth in Western Europe and the sharp though short setback in the United States saw Canadian industrial production and employment decline in the period from the summer of 1957 to the spring of 1958. Inventory liquidation set in and durable goods manufacturing dropped noticeably.

The downward trend of industrial production and employment was checked by April of last year. And it is worthy of note that, despite our sensitivity to world markets and trends in the United States, the extent of the business contraction was not as severe in Canada as south of the border. Nevertheless, it is reassuring to Canadians to witness the recovery which has occurred in the United States in the latter half of 1958 and the almost unanimous confidence expressed for its continuation in 1959.

Canadian production was sustained by a variety of factors during the recent recession, among them record growth in consumer spending, record residential construction, continued record levels in our export trade, and a far-reaching Government program of public works, with emphasis on winter construction. To an important degree personal incomes were supported by higher transfer payments from Government. Widespread federal tax reductions, increased fiscal payments to the Provinces, and additional assistance for resource development all played their part in underwriting purchasing power and thus strengthening production and employment.

Public and private capital investment in Canada during 1958 will likely fall but little short of the record $8.7 billion. The Gross National Product will reach a new record of $32 billion. Production in volume terms during 1958 equalled that of the preceding year, and growth factors are asserting themselves as we view the prospects for 1959.

Corporate profits began to move upward again in the third quarter of 1958 and there was a changeover to inventory accumulation. New capital expenditure plans have been appearing in increasing volume in recent months. Currency and trade improvements in the United Kingdom and Western Europe together with recovery in the United States give promise of an upturn in world demand for industrial materials. Finally, while unemployment continues to be a problem this winter its proportions are expected to be smaller than last winter, and the trend to increased personal income and consumer expenditures is expected to continue, with revived interest in durable goods.

Events in Canada during 1958 were marked by two signal developments. On the domestic front, the Canada Conversion Loan, under which 50% of the national debt represented by five outstanding Victory Loans was refunded in the long-term sector, proved to be the most successful operation in Canadian financial history. It has achieved a high measure of debt management, has helped to ensure the stability of the Canadian currency and provides a sound basis for the financing of Canada's future expansion.

In terms of Canada's interests in the world at large, no review of 1958 would be complete without mention of the Commonwealth Trade and Economic Conference which took place in Montreal last September. This Conference achieved decisions and understandings which will go far to foster mutually beneficial trade and economic relations within the Commonwealth. But, just as important, the Conference was outward looking. It sought not to restrict trade but to advance the development of the Commonwealth within the framework of an expanding world economy. It was recognized that the objectives of the Conference could not be realized without the co-operation of other countries, particularly the United States.

Relations between the United States and Canada continued to be a matter of vital importance in 1958. The visit of President Eisenhower and the Secretary of State, Mr. Dulles, to Ottawa last summer was warmly welcomed by Canadians. It provided a valuable opportunity for the sort of free and frank exchange of opinion which has long characterized our relations as good neighbors. A further such opportunity arose during the meeting of the United States-Canada Joint Cabinet Committee on Trade and Economic Affairs in Ottawa in January of this year.

Canada and the United States pursue similar objectives in the field of international trade. But as each other's best customers it is inevitable that frictions occur from time to time in trade between them. We continue to be deeply concerned with the effects of the United States restrictions on oil imports from Canada, both directly in terms of our present and potential markets in the Midwest and Pacific Northwest, markets we regard as "natural," and also indirectly in respect of the rate of exploration and development.

Canada cannot accept the argument that imports of our crude are any threat to the national security of the United States. Indeed, we hold that not only are the current restrictions in conflict with the General Agreement on Tariffs and Trade, but also that they run contrary to the principles of economic co-operation we jointly agreed upon in 1950, namely "that the economic efforts of the two countries be co-ordinated for the common defense and that the production and resources of both countries be used for the best combined results."

Surely no other continental commodity is so pertinent to this reference as oil. In various notes and again at the Joint Cabinet Committee meetings in Ottawa, we have urged the United States Government to remove these restrictions as they affect Canadian oil imports and we shall continue to do so.

What can be said about the effects of U. S. policies regarding oil are also true of U. S. quota restrictions on the import of Canadian lead and zinc. The U. S. market is of crucial importance to Canadian producers of these base metals, accounting for over 50% by volume of total Canadian production. These restrictions prejudice a resource program of importance to the economic strength of the whole Western world. They transfer to other countries the burden of adjustment to the decline in world demand and to the cessation of U. S. stockpiling. So far as Canada is concerned, they tend to relegate Canadian producers to the position of marginal suppliers while protecting uneconomic production in the United States. These restrictions we regard as unjustifiable and in contravention of U. S. obligations under GATT. Canada is ready to cooperate in any equitable solution which may be found through an international commodity agreement on lead and zinc. However, Canada does not accept the proposition that the entire onus of adjustment should fall on countries exporting to the United States. The quotas, meanwhile, continue to bear harmfully on one of our most important primary product exports, and Canada believes the best solution would be to allow production and demand to find their economic level in world trade on the basis of relative efficiency and unhampered by arbitrary quantitative restrictions.

Canada also continues to be concerned over the agricultural surplus disposal activities of the United States Government, insofar as they tend to damage our normal commercial interests. The particular area of our concern relates to wheat, flour and other grains. Here the fundamental problems arise from the accumulation of large surpluses under the stimulus of price supports. Real solutions can only come if and when the problem is attacked at its roots. One of the features of the U. S. surplus disposal program which has troubled us most is barter transactions and tied-in sales. We welcome the further assurances given us at the recent Ottawa meeting that in all surplus disposal activity, the United States Government would endeavor to avoid interfering with normal commercial markets. We acknowledge that the effects of these transactions have abated recently and that the facilities for consultation have been improved; nevertheless it continues to be of the utmost importance to our good relations that moderation and due care for the interests of others be observed.

United States capital investment has played a very important role in the development of Canada's resources. The present Canadian Government is vitally interested in resource development and fully conscious that outside capital is essential to that objective. We welcome American capital, and mean to maintain a climate hospitable to it. What we are concerned with is broadening the base of our trade and, as Canadian development proceeds and our economy matures, assuring Canadian participation in projects undertaken by foreign capital. These are but the legitimate national, self-interests of any developing country. Canada is entering a period of renewed growth. Her prospects are more dazzling than ever. Canada remains the best investment in the world.

HON. LESLIE M. FROST

Prime Minister and President of the Council, Province of Ontario

Not without cause is Ontario called the economic heartland of Canada. Comprising a vast, resource-rich area and accounting for half of Canada's manufacturing production, the Province presents outstanding opportunities for rapid growth, and development.

Hon. L. M. Frost

Ontario's population has increased by nearly two million, or 50%, since 1945—almost double the rate of increase in many countries. It is now approaching the six million mark.

Since the end of World War II expansion has taken place across a broad front: mining, forestry, agriculture, power and energy, construction and, most particularly, manufacturing. Many new mines have come into production, including iron ore, nickel, copper, zinc and uranium—of which Ontario possesses the world's largest reserves. Despite the decline in base metal prices and production, the value of Ontario's mining output in 1958 reached an all-time record of $800 million—a fourfold increase in value over 1945. Although production of pulp and paper and forest products declined slightly, the upward trend in output (which has doubled since World War II) has now been resumed. In pulp and paper and in manufacturing, generally, there are increasing signs of recovery. During the past year, personal incomes and consumer sales continued to advance while capital investment, which has been equivalent to about one-quarter of Ontario's total gross provincial product, remained at a high level. More residential housing units were constructed in Ontario in 1958 than in any year in our history.

Power and energy supplies were greatly augmented last year by two events of tremendous significance to the future development of the Province: Western Canada's huge resources of natural gas became available to the people and industries of Southern Ontario when the Trans-Canada Pipe Line came into operation. Secondly, half Ontario's share of the St. Lawrence power development was fed into the Provincial power grid. This, coupled with the installation of additional generating units at Niagara and elsewhere in the Province, served to enlarge Ontario's electric power supply by 1¼ million H.P. last year.

In the coming year, the St. Lawrence Seaway will create, in effect, an ocean waterway from the head of Lake Superior to the markets of the world. Steps are being taken to develop a new tidewater port at Moosonee on James Bay which will facilitate the exploitation of the resource-rich northern parts of Ontario.

With a rapidly growing population in well-planned communities enjoying the highest standards of education, with a system of transportation, including highways unexcelled anywhere, and with modern and expanding plant and equipment, Ontario's future is bright. There is challenge and there is opportunity. Eminent though our progress has been in the past, our future prospects are even greater.

Business and Finance Speaks After the Turn of the Year

Owing to a misunderstanding, the accompanying article was inadvertently omitted from publication with the numerous counterparts which appeared either in our issue of Jan. 15 or Jan. 22.—EDITOR.

SHERMAN HAZELTINE

Chairman of the Board, First National Bank of Arizona

On balance, and with small regard for the recent (international) recession, Arizona has experienced a good business year in 1958. Non-ferrous metals was our most adversely affected principal industry, and suffered substantially during the first nine months of this year. In the fourth quarter, increased metal prices, production and employment tended to pull 1958 up to an income level comparable to that of 1957.

Sherman Hazeltine

Crops and cattle enjoyed a splendid year with farmers and ranchers receiving higher prices on expanded production.

With minor exceptions, our tourist business—a very substantial contributor to the economy—has enjoyed its best year ever.

Construction activity throughout the state has operated for the full year at an all time high level.

The state's important military facilities continue to make a notable economic contribution and specialized testing facilities are quite significant as a factor in the attraction of representatives of the electronic industries.

Industry in Arizona now ranks as the number one source of income in the state. We are particularly fortunate in the metropolitan areas of Tucson and Phoenix to have secured highly desirable, garden type industrial plants devoted to electronics, augmenting the well established aluminum extrusion and aircraft components production facilities. An increasing number of garment manufacturers find Arizona communities highly agreeable for their operations.

Total bank deposits in Arizona increased approximately 8% for the year. The First National Bank of Arizona comfortably exceeded that average gain. Phoenix and Tucson Clearing Houses' monthly totals of bank debits during 1958 have exceeded by more than 10% comparable figures for 1957. Phoenix and Tucson Clearing Houses' total loans outstanding have increased modestly despite a somewhat slackened demand for loans generally.

This bank concludes 1958 operations by recording a healthy increase in net income comparable to the state's general economic gain.

Indeed, business was good in 1958. It looks even more promising for 1959. Arizona enters the new year chalking up all time highs for total employment and income, and with every bright prospect of susbantially increased returns for the state's businessmen in the next 12 months.

The First National Bank of Arizona entered the year with four additional new offices, and susbtantially expanded physical facilities in a number of existing outlets. We are particularly well represented in the state's four major metropolitan areas where greatest growth is anticipated. The natural expansion of population and business activity in our present service area, plus our entry into Tucson, will mean the bringing of First National banking to approximately a quartr of a million Arizonans.

In spite of exceptionally keen competition, the First National Bank of Arizona eagerly looks forward to its most important year in Arizona, with every conviction that our operations will result in new all time highs in service provided, loans made, deposits accumulated and the most important category of net profit.

New plants scheduled for an appearance on the Arizona scene include a steel rolling mill, a frozen foods processing firm, and additional electronics manufacturers. Most of our existing manufacturing concerns have either just completed, or have plans for, early expansions.

Several multi-million dollar deluxe apartment hotels will be completed in 1958. Record home building, public construction projects, plus commercial and industrial building will give the state a terrific pace of construction activity next year, and First National continues its dominant position in construction financing.

Improvements in the world market for copper, increasing with general economic recovery, should result in better conditions for the state's mining communities in which this bank is represented.

By and large, the state's livestock ranges are in good condition, and our vital water picture is most encouraging with reservoir and tank storage levels at their best in several years. Total crop acreage should remain approximately constant. With reasonable expectation for continued good prices for agriculture production, this segment of our economy, in which our bank is a leader, looks forward to another fine year in 1959.

Any good index of business activity in Arizona, if extended to a projection for 1959, would indicate conservatively a 10% gain across the broad economic front of our well diversified statewide economy.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

First National City Trust Company, New York, has appointed Bascom H. Torrance Senior Vice-President. Mr. Torrance will continue his present assignments, which include service as Chairman of the Trust Investment Committee. He has been a Vice-President since 1941. His promotion to Senior Vice-President this week is the first major appointment since City Farmers Trust Company changed its name Feb. 2 to First National City Trust Company.

Bascom H. Torrance

* * *

The Chase Manhattan Bank, New York, will operate as branches the four offices of the **Clinton Trust Co.,** acquired through a merger effective Jan. 30.

* * *

Irving Trust Company, New York, announces the election of John W. McGovern to its Board of Directors. Mr. McGovern is President of United States Rubber Company.

* * *

Irving Trust Company, New York, received approval to increase its capital stock from $51,000,000 consisting of 5,100,000 shares of the par value of $10 each, to $52,020,000 consisting of 5,202,000 shares of the same par value.

* * *

The appointments of Rodney A. Cover, Jr., and John J. Sullivan as Assistant Treasurers of **Manufacturers Trust Company, New York,** are announced by Horace C. Flanigan, Chairman of the Board.

Mr. Cover joined the bank in 1954. His assignment in the national department is to the division which handles the bank's business in Michigan, Kentucky, Ohio, and the City of Pittsburgh.

Mr. Sullivan joined Manufacturers Trust Company in 1956. His assignment in the national department is to the northeast division which handles the bank's business in New Jersey, New York State and throughout New England.

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Donald J. Eick has joined the staff of **Guaranty Trust Company of New York** as a second Vice-President in the pension trust department.

* * *

William H. Moore, Chairman of the Board of **Bankers Trust Company, New York,** on Jan. 30, named Alexander B. Adams an Assistant Vice-President in the bank's Public Relations Department.

Mr. Adams, formerly in charge of Public Relations at the **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** will assist Edward T. Hetzler, Vice-President in charge of Bankers Trust Company's Public Relations Department.

* * *

City Bank Farmers Trust Co., New York, changed its name to **First National City Trust Co.**

Established originally in 1822, the trust company, later known as Farmers Loan & Trust Co., became an affiliate of the First National City Bank in 1929 at which time the name was changed to City Bank Farmers Trust Co.

* * *

Trade Bank & Trust Company, New York, was given approval to increase the capital stock from $2,861,000 consisting of 286,110 shares of the par value of $10 each, to $3,147,210 consisting of 314,721 shares of the same par value.

* * *

Thomas J. Shanahan, President of the **Federation Bank & Trust Company, New York,** announced the election of William Earle Blakeley as a Director. Mr. Blakeley has formerly been a Vice-President of **Bankers Trust Company, New York.**

* * *

Morgan Stanley & Co. has announced the admission of A. Douglass Hall and H. Lawrence Parker as general partners, effective Feb. 1.

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The Board of Trustees of **Dry Dock Savings Bank, New York,** has announced the promotion of Alexander King from Assistant Manager at its Seventh Avenue Branch to Assistant Comptroller at the Main Office, 742 Lexington Avenue.

In this new post, Mr. King, who has been with Dry Dock since 1929, has added responsibilities connected with banking floor activity.

* * *

Hempstead Bank, Hempstead, N. Y., was given approval to increase the capital stock from $1,350,000 consisting of 135,000 shares of the par value of 10 each, to $1,500,000 consisting of 300,000 shares of the par value of $5 each.

* * *

Dominic J. Pastorelle, Vice-President of **The County Trust Company, White Plains, N. Y.,** completed forty years of service on Jan. 31. He is in charge of banking operations at the main office.

* * *

The County Trust Company, White Plains, N. Y., received approval to increase the capital stock from $7,336,170 consisting of 1,467,234 shares of the par value of $5 each, to $7,702,980 consisting of 1,540,596 shares of the same par value.

* * *

State Bank of Albany, Albany, N. Y., was given approval to increase its capital stock from $4,794,000 consisting of 479,400 shares of the par value of $10 each, to $5,033,700 consisting of 503,370 shares of the same par value.

* * *

The Citizens' Trust Company of Schenectady, N. Y., was given approval to increase its capital stock from $800,000 consisting of 32,000 shares of the par value of $25 each, to $900,000 consisting of 36,000 shares of the same par value.

* * *

Central Trust Company, Rochester, N. Y., was granted approval to increase the capital stock from $2,882,400 consisting of 141,120 shares of the par value of $20 each, to $3,104,640 consisting of 155,232 shares of the same par value.

* * *

The Massena Banking & Trust Company, Massena, N. Y., received approval to increase its capital stock from $200,000 consisting of 8,000 shares of the par value of $25 each, to $375,000 consisting of 15,000 shares of the same par value.

* * *

John Simmen, Executive Vice-President of **Industrial National Bank of Providence, R. I.,** was elected President and Chief Executive Officer, succeeding T. Dawson Brown, who became Chairman. Rudolf F. Haffenreffer,

Continued on page 34

Continued from first page

Funds Aggressively Support Big Bull Market

measured by dollar transactions. Particularly noteworthy is the engagement in this optimistic trend on the part of the constitutionally more conservative balanced funds. These managements bought 41% more equities than they sold—a stock-inclined proportion far in excess of the 27% buying balance which they had exhibited during the preceding quarter. The net balance of such common stock buying was understandably, even heavier in the case of the stock funds. Among the latter, the open-end stock funds took on more than twice the amount of common stocks that they liquidated (a result accentuated by the portfolio-buildup operations of such recent giant newcomers as One William Street and Lazard Fund). Even the closed-end companies, which are ordinarily free from the pressure of incoming investible funds, increased their net excess of purchases of stocks to 58% from 18% in the previous quarter. Enabling some of the closed-enders so to lift their stock purchases, in support of their bullishness, was their securing of fresh capital through rights offerings during the period. (Companies thus selling additional shares at less than market and asset value included General Public Service, Madison, and National Shares.)

Also as expressed in the number of funds (in addition to dollar volume of transactions as cited above) did bull market buying of stocks exceed liquidation by a wide margin. Of the 83 investment companies under review, 53 were net buyers, 20 net sellers, and 10 stand-offs. The predominance of net buyers was, of course, greatest in the open-end stock funds (30 against seven net sellers, and two stand-offs), and considerably smaller in the open-end balanced funds (16 net buyers, nine net sellers, six stand-offs) and in the closed-end companies (seven buyers versus four sellers versus two stand-offs).

* * *

The Bullish Contingent

Specification of the managements so preponderantly pursuing bullish portfolio policies may be found in our Table of Security Transactions by 83 Investment Companies on page 000.

Typical of their reaction is the Johnston Mutual Fund, whose management has the following to say: "The rise in stock prices may have outpaced the business upturn and some irregularity would be a normal expectancy. But the business recovery is still young and vigorous, and with a heavy demand and short supply of good stocks, a correction of sizable proportions does not seem likely. Your management plans to watch for opportunities further to increase our equity investments."

In support of maintaining a "long" position in equities, Ralph E. Samuel, President of Energy Fund (recently split 10-for-1) cites the difficulties involved in timing repurchases: "The liquidation of stocks in the summer of 1957, unless the timing of repurchase had been almost perfect, would indeed have proven costly since current levels are generally well above the 1957 highs. . . . The value of our portfolio is, of course, affected by the vagaries of the market, but we are thoroughly convinced that the long term economic outlook is good."

Switching from defensive to cyclical areas was practised by Group Securities with its array of 21 mutual funds. Harold X. Schreder, Executive Vice-President, referred to a shift from defensive issues tied more closely to consumer spending (food, tobacco, utility, merchandising) to more cyclical issues, as rail equipment, electronics, building supply, railroads, textiles, and oils.

From specialty fund management comes this statement of Television Electronics Fund's President Chester D. Tripp: "Assets recently were 96% in common stocks, representing a substantial shift in emphasis from a year earlier when caution was the watchword and management was trimming sails for the anticipated recession, which materialized."

Specific bullish market forecasts range all the way from the 650 mark for the Dow-Jones Industrial Average by Henry Simonson of the National Securities & Research Corporation, to a lofty 750 by the President of Minnesota Fund.

* * *

Defensive Managements

Midst the prevalent preponderance of buyers, as indicated above but too numerous to specify here, still a goodly number of net sellers emerged. These included: American Business Shares, Axe-Houghton "A," Axe Science & Electronics, General Investors Trust, Knickerbocker Fund, the three mutual funds in the Bullock Group (their closed-end sister, Carriers & General, simultaneously acting as a net buyer), the three Value Line funds, Whitehall Fund (in the divergently-acting Tri group), Blue Ridge, and Institutional Investors Mutual Fund (owned by 83 New York State savings banks, who made substantial reductions during the period), Texas Fund, Adams Express-American International, and General American Investors. American Business Shares, in fact, wholly confined its operations to liquidations. Complete stand-pattism on commons was exhibited by both Scudder, Stevens & Clark funds and, no longer surprising by now, U. S. & Foreign Securities.

Notes of Caution

Accompanying notes of caution were voiced by a number of managements. Said Hugh Bullock of the group bearing his name: ". . . a very substantial rise in the level of common stock prices . . . has outstripped the improvement in business. . . . Various segments of the common stock market may be expected to adjust themselves more realistically to basic busifigures and to yields on good quality bonds."

A new wrinkle in escaping the yield dilemma comes from Arnold Bernhard in his capacity as President of the Value Line Income Fund; Since "Stocks on average have advanced far more than any probable increase in dividends would justify," he is planning "a shift of modest proportions" of funds into higher-yielding foreign securities.

The recurring reversal of the tradtional bond-stock yield ratio has been troubling, among others, the trustees of New England Fund, per the following: ". . . such a high ratio of bond yield to stock yield has in the past been a warning signal. . . . We do sense a strong possibility that inflation for the near term may be less of a market factor than the headlines would indicate. . . . It may also be significant that many basic commodities have declined in price since the high of July, 1958. In appraising the near term, let us also not overlook the large unused production capacity in this country, assuring an adequate supply of merchandise, thus avoiding the shortages that would contribute to a rapid inflation. . . . We feel that the present status of New England Fund, with the mobility afforded by the short-term notes and the position in stocks, provides a balance suited to prevailing conditions, with reasonable assurance of satisfactory income."

A change of heart, and possibly an early change in its recent stock-buying proclivities, is indicated by Massachusetts Life Fund, through its President, Lawrence A. Sykes thus: "At this more advanced stage of the stock market we plan to continue to exercise great care and prudence in our selection of common stocks, and will look with more favor on the bond market, where prices are lower and yields higher than they have been in many years."

The quality of the current stock-buying is likewise worrying Edward P. Rubin, President of Selected American Shares: "Stock prices already anticipate considerable improvement. Industrial stocks yield less than comparable quality bonds. Quite a bit of inflationary thinking is in the stock price structure. One can detect at least traces of recent buying 'for the rise,' without too much regard for quality or value. . . . The 'supply' of common stocks may not appear so inadequate in 1959. . . . Thus 1958's straight up market is scarcely to be duplicated. There are more likely to be periods of disappointment, reaction, consolidation."

Sophisticated skepticism about some of the market's phenomena is voiced by Edward A. Merkle, President of the closed-end Madison Fund. Specifically Mr. Merkle re-examines "growth stocks (so-called)," in some cases re-defining them as dangerous "glamour shares." "There is nothing new about glamour in the stock market," Mr. Merkle said. "Over the past 10 years we have had several booms which were similar in character to the land booms of earlier days. These might be compared with a balloon ascension, and in retrospect, the subsequent declines were quite similar to the return to earth of the gas-filled vehicle when the gas seeped out."

It may be asked whether the profusion of caution voiced by substantial stock buyers perhaps constitutes a phase of verbal hedging.

* * *

Issue Selection

Taking top honors in individual issues selected during the past quarter were two foreign items, and one international oil. First place "blue ribbon winner" was Philips' Lamp Works, which was bought by 14 managements, in an aggregate of 183,200 shares having a value of $11,900,000 at the stock's year-end price. Eight of these managements were acquiring Philips' for the first time—with no offsetting seller. Lazard Fund coupled its initial purchase of 12,500 Philips' shares with the acquisition of 1,500,000 guilders of Philips' convertible bonds. "Runner-up" was Royal Dutch Petroleum, with 15 buyers and only two sellers. Third best-bought issue was Gulf Oil, followed by U. S. Steel, Tennessee Gas Transmission, American Tel. & Tel., R. C. A., Firestone, and (still) Standard Oil of New Jersey, in approximately that order.

Thus, an interesting situation is presented in the funds' use of small holders' money to repurchase for them indirectly the same issues which they had been selling. For example, during the quarter odd-lot sellers far exceeded public buyers of A. T. & T.

Most unpopular issue, as measured by the number of selling funds, was Socony Mobil Oil, followed by Parke, Davis, American Can, and Bethlehem Steel.

American Tel. & Tel., cited above as a top favorite, comprises the largest single holding of the new Lazard Fund. Second largest holding of this important newcomer is Georgia-Pacific Corporation, which supplanted Royal Dutch, moving it down to this portfolio's number three slot.

Turning to the other popular newcomer, One William Street Fund, we find IBM as its largest holding, followed by International Nickel, while Republic Steel rose from eighth to third largest holding; relegating "split candidate" du Pont from third to seventh. In the process of becoming fully invested, this Lehman-managed fund eliminated all its initial holdings of bonds and preferreds, keeping only U. S. Treasuries, World Bank bonds, and common stocks. The fund's investment adviser, Lehman Brothers, expresses itself as particularly favoring investment in steel stocks, oils, and utilities; the first-named because of the immediate outlook, and the other two because of the long-range prospects.

* * *

POLICY TOWARD INDUSTRY GROUPS

The following analysis of portfolio changes, drawn from our tabulation on page 00 of transactions in nearly 500 stock issues, is based on the number of managements buying or selling, rather than on the number of shares involved.

During the December quarter fund managements particularly favored the following groups: electrics and electronics, chemicals, insurance (life and casualty), coppers, rails, oils, steels, machinery, rubber and tire, and tobacco. There was also a good-sized interest in aircrafts, airlines, building, office equipment, and railroad equipment.

On the other hand, bank stocks, which were recent top favorites, largely fell into disfavor. Industries in which considerable selling accompanied buying included drugs (in which there was much profit-taking), food, gold-mining, natural gas, paper, utilities, and radio-movies-TV.

By and large, this marks a definite extension of the previous shift from defensive to cyclical groups. As in the preceding quarter, the partially offsetting selling which found its way into the utilities was quite likely stimulated by the recurrent weakness in the bond market with the corresponding rise in competitive yields.

FAVORED GROUPS

Aircrafts Flying High

Best bought aircraft was North American Aviation, with Madison Fund the largest buyer (20,000 shares newly), and only a single seller. Also widely bought was Martin Company, of which the United Fund group alone bought 40,000 shares, Fidelity 24,000, and Madison 20,000; the latter two making initial commitments. On the other hand, Incorporated Investors closed out its 40,000 shares. Also well-bought was Bendix Aviation, not however without considerable offsetting liquidation. Also liked were Boeing and General Dynamics; of the latter, the Bullock Group alone bought 28,000 shares. Sellers outnumbered buyers in Douglas and United Aircraft.

Airlines Liked

The top favorite here was American Airlines, with One William Street and its "sister-in-law" Lehman Corporation making new commitments to the tune of 96,000 shares. On the other hand, there were only sellers in Pan American, chiefly the Value Line group which closed out its 35,000 shares.

Automotives Sought

Here General Motors was bought by five managements, chiefly the Tri Group with 72,000 shares, and Madison with 20,800 shares; while Dividend Shares in the Bullock Group was a large seller (25,000). Sellers balanced buyers in Ford. At the other end of the scale, Chrysler was only sold, with Dreyfus (10,000) and Delaware (8,000) liquidating their commitments.

Auto Equipments in Fair Demand

In sympathy with the good net demand for automotives, there was also fairly widespread, though not excessively large, demand for automotive equipment issues. Some buying without selling occurred in Briggs & Stratton, Champion Spark Plug, Dana, Electric Storage Battery, Stewart-Warner, and Timken. Sellers equalled buyers in Borg-Warner and newly-merged Thompson Ramo Wooldridge, the automotive-aviation-electronics diversifier.

Building Stocks Favored

Buying without selling occurred in American Radiator (all the buying representing first acquisitions, namely by Investment Co. of America, Madison, and Overseas Securities), General Portland Cement, Georgia-Pacific (of which Lazard Fund bought 78,000 shares and deVegh 2,000 shares newly), Johns-Manville, Lone Star Cement, Weyerhaeuser Timber, and Yale & Towne. Sellers outnumbered buyers in U. S. Gypsum. The large single sale of U. S. Pipe & Foundry shown in the table (100,000 shares) came from the United Funds Group.

Chemicals Popular

In this group duPont was acquired by eight managements, although not in particularly large amounts except for the 16,000 shares picked up by Wellington. Equally well liked was Allied Chemical, in which Affiliated Fund and Fidelity Fund made new commitments of 25,700, and 21,000 shares, respectively. Union Carbide followed in popularity among managements, with Fundamental the largest buyer (10,000). Also well liked were Monsanto, Dow, and Stauffer. In this group only International Minerals &

Continued on page 22

Continued from page 21

Chemicals encountered heavy selling.

Glass Issues Bought

In this group, Pittsburgh was the best bought issue, followed by Owens-Illinois, Libbey-Owens-Ford, and Owens-Corning Fiberglas. There were only buyers and no sellers in Corning Glass Works, while sellers outnumbered buyers in Anchor Hocking.

Electrics and Electronics Best Liked

We have dealt in detail above with Philips' Lamp Works. By far the largest buyer of this issue was Incorporated Investors, initially acquiring 55,000 shares, followed therein by Fidelity Fund (26,000), Investment Co. of America (15,000), and Lazard which newly acquired 12,500 shares and 1.5 million guilders face value of the convertible bonds. Next best-liked electronic issue was Radio Corp., with Wellington the largest buyer (18,000), followed by Axe "B" (16,000), while the Value Line Fund disposed of its entire 5,000 share block. There was only buying, with no selling, in Westinghouse, and this came largely from the Tri Group (45,000), but also from others. Next most favored electronic stock was General Electric, in which Lehman Corp. took a new position of 35,300 shares; on the other hand, Putnam and Blue Ridge eliminated GE from their portfolios. Sylvania, about to be merged with General Telephone, was mostly sold, with only one buyer, namely Fidelity (22,000 newly).

Insurance Issues Again Favored

Top honors here went to Travelers, which found its largest buyer in Fundamental (12,000 newly), with One William Street the second largest buyer (10,000). Next best bought issue was National Life & Accident, bought to the tune of 14,900 shares by Investors Mutual, by State Street (5,000) among others; with no sellers.

Machinery and Industrial Equipment in Demand

Here Caterpillar was by far the best bought stock, with the two newcomers. One William Street and Lazard, buying 20,000 and 8,500 shares respectively; with only a single small sale. Considerable interest was displayed in Chicago Pneumatic Tool, the largest buyer being Fundamental (20,000) and with no selling; and in Dresser Industries, of which Wellington bought 77,000 shares (newly) and the Tri Group 31,100, while, on the other hand, the United Funds group sold 20,000 shares and Madison liquidated its 16,300 shares.

Metals Generally Favored

In the **aluminum** group buying interest exceeded selling in each of the five issues. This despite the fact that General American Investors eliminated its holdings in Aluminium Ltd., Kaiser and Reynolds, these being the only issues which GAI completely eliminated from its portfolio.

Shares of the **copper** industry were apparently stimulated by strengthening of the red metal's price structure. In Anaconda the Tri Group established new positions (35,000), as it also did in Phelps Dodge (42,200). Of Revere Copper & Brass, Wellington bought 75,000 shares initially, and State Street was a buyer of 17,500 shares; while United Accumulative eliminated its 12,200-share holding. In Kennecott, in which sellers almost matched buyers, the largest single transaction was a 30,000-share closeout by the United Funds Group.

The flurry in **gold** stocks was

Continued on page 23

Changes in Common Stock Holdings of 67 Investment Management Groups

(October-December, 1958)

Issues in which transactions by more than one management group occurred. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios. *(Purchases shown exclude shares received through stock splits, stock dividends or spin-offs. Changes through mergers also disregarded.)*

—Bought—			—Sold—	
No. of Trusts	No. of Shares		No. of Shares	No. of Trusts
		Agricultural Equipment		
8(4)	79,000	Deere	84,500	7(3)
6(2)	62,800	International Harvester	2,000	1(1)
		Aircraft and Aircraft Equipment		
6(1)	19,100	Bendix Aviation	19,900	3(1)
5(1)	21,980	Boeing Airplane	None	None
5(1)	49,400	General Dynamics	2,000	1(1)
3(1)	53,500*	Lockheed Aircraft	500	1
6(4)	100,000	Martin	42,600	3(1)
8(3)	57,300	North American Aviation	1,500	1
None	*None*	*Douglas Aircraft*	*5,060*	*2(2)*
4(1)	*12,200*	*United Aircraft*	*68,700*	*5(2)*

*Largely through bond conversions.

—Bought—			—Sold—	
No. of Trusts	No. of Shares		No. of Shares	No. of Trusts
		Airlines		
5(2)	142,800	American Airlines	11,400	2
3	2,082	Eastern Air Lines	11,100	3(3)
3(2)	39,300	Northwest Airlines	10,000	1
3	10,874	United Air Lines	None	None
None	*None*	*Pan American World Airways*	*42,200*	*2(1)*
		Automotive		
3(1)	41,600	Ford	16,000	3(1)
2(2)	40,400	Fruehauf Trailer	None	None
5	101,500	General Motors	34,300	2
2(1)	17,000	Mack Trucks	None	None
2	3,400	White Motor	None	None
None	*None*	*Chrysler*	*28,500*	*3(2)*
		Automotive Equipment		
3	33,700	Borg-Warner	70,600	3(3)
3(1)	12,000	Briggs & Stratton	None	None
2(2)	12,800	Champion Spark Plug	None	None
3(1)	1,500	Dana	None	None
2(1)	10,600	Eaton Manufacturing	5,000	1(1)
3(1)	31,500	Electric Storage Battery	None	None
2	9,300	Stewart-Warner	None	None
3(2)	4,500	Thompson Ramo Wooldridge	27,000	3(1)
2	31,400	Timken Roller Bearing	None	None
		Banks		
4(1)	32,320	Chemical Corn Exchange	24,000	2(1)
1	10,000	Hanover Bank	1,500	1(1)
None	*None*	*Bank of America*	*10,500*	*2*
2	*6,500*	*Chase Manhattan*	*20,100*	*3(1)*
None	*None*	*Firstamerica*	*6,500*	*2(2)*
None	*None*	*First Bank Stock*	*12,500*	*2*
1(1)	*1,000*	*First National City Bank of N. Y.*	*4,800*	*2(1)*
1	*850*	*Guaranty Trust*	*2,900*	*2(1)*
None	*None*	*Irving Trust*	*3,555*	*2*
		Beverages		
2(2)	6,000	National Distillers & Chemical	6,560	2(1)
3(1)	34,500	Pepsi-Cola	15,000	1(1)
2(1)	2,500	Coca-Cola	20,900	4(1)
		Building, Construction and Equipment		
3(3)	70,000	American Radiator & Standard	None	None
2	9,000	Armstrong Cork	3,900	1
1	1,300	Carrier	7,500	1(1)
1(1)	500	Crane	800	1(1)
3(1)	20,000	General Portland Cement	None	None
2(1)	80,000	Georgia-Pacific	None	None
4(3)	17,500	Johns-Manville	None	None
1	400	Lehigh Portland Cement	1,000	1(1)
3	36,600	Lone Star Cement	None	None
1	2,000	Marquette Cement	5,500	1
2	15,031	Masonite	12,240	2(2)
3(1)	4,700	Minneapolis-Honeywell	12,060	3
3(1)	11,500	National Gypsum	10,104	3(2)
6	14,802	National Lead	8,477	2(2)
3(1)	16,800	Otis Elevator	8,000	2
3	8,500	Penn-Dixie Cement	5,000	1(1)
2	12,000	Trane	7,100	1(1)
2	3,000	U. S. Pipe & Foundry	100,000	1
2	900	Weyerhaeuser Timber	None	None
2(1)	3,000	Yale & Towne	None	None
1	*500*	*U. S. Gypsum*	*20,050*	*3(1)*
		Chemicals and Fertilizer		
3(2)	18,800	Air Reduction	1,000	1
8(3)	80,600	Allied Chemical	4,700	1
2(1)	5,900	American Agricultural Chemical	100	1
2	3,500	American Cyanamid	6,300	2
1	400	American Potash & Chemical	300	1
2(1)	14,000	Columbian Carbon	None	None
3(1)	35,500	Diamond Alkali	45,700	1
5(1)	45,924	Dow Chemical	6,150	4
8(1)	24,500	Du Pont	3,000	1
4(1)	2,200	Eastman Kodak	200	1
4	16,200	Food Machinery & Chemical	1,500	2(2)
2(1)	7,000	Freeport Sulphur	None	None
2	700	Hercules Powder	None	None
4(2)	54,400	Hooker Chemical	17,600	2(1)
2	7,000	Interchemical	None	None
6(1)	111,900	Monsanto	40,200	4(2)
2(1)	5,500	Pennsalt Chemicals	1,000	1
2	1,180	Rohm & Haas	95	1
4	10,100	Spencer Chemical	None	None
5(1)	14,234	Stauffer Chemical	300	1
2	6,700	Tennessee Corp.	None	None
1(1)	20,000	Texas Gulf Sulphur	8,000	1
7(1)	17,400	Union Carbide	1,400	1
4	3,355	United Carbon	None	None
2	*2,100*	*Internat'l Minerals & Chemicals*	*46,300*	*5(3)*
		Coal and Coke		
2	9,200	Consolidation Coal	28,100	2(2)
2(1)	3,200	Island Creek Coal	100	1
1	5,000	Peabody Coal	2,000	1
3(2)	6,700	Pittston	4,200	1(1)
		Containers and Glass		
6(2)	30,100	Continental Can	7,300	3
4	1,700	Corning Glass Works	None	None
2(1)	31,500	Gustin-Bacon	12,000	1(1)
4(1)	41,900	Libbey-Owens-Ford Glass	8,000	1
1	12,000	Lily-Tulip Cup	10,000	1
4(2)	30,800	Owens-Corning Fiberglas	4,200	2
5(2)	11,200	Owens-Illinois Glass	1,700	1
6(2)	20,650	Pittsburgh Plate Glass	9,400	2(1)
1	5,000	Thatcher Glass Mfg.	3,000	1
1(1)	*4,000*	*American Can*	*87,750*	*8(3)*
1	*500*	*Anchor Hocking Glass*	*9,400*	*3(2)*
		Drug Products		
1	1,000	Allied Laboratories	6,000	1(1)
1	2,000	American Home Products	1,400	1(1)
6(3)	12,100	Merck	38,500	5(1)
2(2)	13,100	Rexall Drug	None	None
4(2)	34,400	Schering	14,000	2(2)
5(2)	12,600	Smith, Kline & French	1,500	1(1)
1	500	Sterling Drug	29,100	1
2(2)	9,300	Upjohn	4,750	1(1)
3	*18,600*	*Abbott Laboratories*	*6,800*	*4(1)*
2	*14,500*	*Bristol-Myers*	*29,800*	*4(2)*
2(1)	*45,860*	*Lilly (Eli) "B"*	*31,100*	*4(3)*
None	*None*	*Mead Johnson*	*3,800*	*2*
4	*21,000*	*Parke, Davis*	*216,700*	*8*
2(1)	*7,500*	*Pfizer (Chas.)*	*12,600*	*4(1)*
None	*None*	*Warner-Lambert*	*31,700*	*4(1)*
		Electrical Equipment and Electronics		
2(1)	12,000	Cutler-Hammer	27,800	2(1)
7(1)	53,500	General Electric	14,100	4(2)
2(2)	12,500	Hewlett-Packard	None	None
3(2)	13,000	International Tel. & Tel.	6,100	3
2(1)	6,200	Litton Industries	100	1
1	3,300	McGraw-Edison	1,400	1(1)
3(2)	24,700	Philco	2,060	1(1)
14(8)	183,200	Philips' Lamp Works— (50-guilder shs. or equivalent)	None	None
9(2)	69,600	Radio Corp.	8,800	3(1)
3(2)	65,400	Reliance Elec. & Engineering	None	None
4(1)	39,000	Sperry Rand	7,000	3
1(1)	10,000	Square D	1,600	1
3(1)	26,900	Sunbeam	14,000	2(1)
1	500	Tung-Sol Electric	3,000	1(1)
8(1)	65,600	Westinghouse Electric	None	None
2(1)	41,500	Whirlpool	None	None
1	*1,750*	*Ampex*	*3,500*	*2*
None	*None*	*Hazeltine*	*4,500*	*2(2)*
1(1)	*2,000*	*Raytheon Mfg.*	*4,500*	*2(1)*
1(1)	*22,000*	*Sylvania Electric*	*10,700*	*4(3)*
1	*3,000*	*Texas Instruments*	*4,500*	*3*
		Finance Companies		
1(1)	13,300	American Investment Co. (Ill.)	2,700	1(1)
3(1)	26,000	Beneficial Finance	None	None
4	17,300	C. I. T. Financial	500	1(1)
2	12,800	Commercial Credit	21,900	2(2)
1	*15,000*	*Associates Investment*	*7,800*	*3*
		Food Products		
2(2)	52,000	Armour	None	None
3(1)	1,400	General Mills	500	1(1)
2	2,400	Gerber Products	450	1
1(1)	1,000	Heinz (H. J.)	6,300	1
2(1)	40,100	National Biscuit	11,800	2
1(1)	1,500	Penick & Ford	2,000	1
1	1,300	Standard Brands	200	1
2(1)	18,000	Swift	None	None
1(1)	10,000	United Fruit	7,000	1(1)
3	*2,580*	*Corn Products*	*40,900*	*4(2)*
3(1)	*35,000*	*General Foods*	*38,200*	*4(1)*
None	*None*	*Kellogg*	*17,925*	*3(2)*
1	*1,000*	*National Dairy*	*9,000*	*2(1)*
None	*None*	*Pillsbury*	*10,500*	*2(1)*
None	*None*	*Quaker Oats*	*13,800*	*2(2)*
		Insurance—Fire & Casualty		
2(2)	3,950	Aetna Casualty	None	None
3	3,800	Continental Casualty	None	None
1(1)	4,000	Fidelity-Phenix	1,000	1
3(1)	14,000	Fireman's Fund	1,000	1
1(1)	1,000	Great American Insurance	1,000	1
3(1)	3,000	Hartford Fire	None	None
2	1,500	Insurance Co. of North America	None	None
2	2,000	Maryland Casualty	None	None
6(1)	26,200	Travelers	400	1
2(1)	3,300	U. S. Fidelity & Guaranty	4,675	1(1)

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Insurance—Life		
3	13,500	Aetna Life	150	1
3	7,300	Connecticut General Life	None	None
2	600	Franklin Life	20,000	1(1)
4(1)	22,100	National Life & Accident	None	None
2	*3,900*	*U. S. Life*	*2,240*	*3(2)*
		Machinery, Machine Tools and Industrial Equipment		
4	6,400	Allis-Chalmers	5,400	2
3	1,625	Babcock & Wilcox	4,600	1(1)
2	2,650	Black & Decker	None	None
2	5,100	Bucyrus-Erie	6,000	2(1)
8	43,500	Caterpillar Tractor	300	1
6(4)	52,500	Chicago Pneumatic Tool	None	None
2(2)	4,000	Cooper-Bessemer	None	None
6(2)	122,100	Dresser Industries	37,300	3(2)
2(2)	28,500	Ex-Cell-O	1,500	2(1)
4(1)	9,400	Ingersoll-Rand	5,000	1(1)
3(1)	11,000	Joy Manufacturing	5,400	1
2(1)	9,000	Mesta Machine	None	None
1	1,500	National Acme	1,500	1(1)
2(1)	2,500	Singer Manufacturing	3,500	2(2)
2	3,000	United Shoe Machinery	None	None
4	13,570	Worthington	500	1
1	*10,000*	*Emhart Manufacturing*	*1,500*	*2(2)*
		Metals and Mining—Aluminum		
4(1)	31,400	Aluminium Ltd.	25,700	3(1)
4	13,100	Aluminum Co. of America	3,800	3(1)
2	31,700	Kaiser Aluminum	10,000	1(1)
4(2)	7,806	Reynolds Metals	34,140	3(1)
6(1)	22,760	U. S. Foil "B"	1,000	1(1)
		Metals and Mining—Copper		
5(1)	47,500	Anaconda	7,300	2
2(1)	13,000	Cerro de Pasco	2,000	1
2(2)	20,500	Copper Range	None	None
1	24,500	General Cable	30,000	1(1)
2	1,200	Inspiration Consolidated Copper	None	None
7(2)	20,000	Kennecott Copper	48,800	6(3)
2	4,000	Magma Copper	3,600	2(1)
3(1)	52,300	Phelps Dodge	14,900	3(2)
4(3)	107,200	Revere Copper & Brass	12,200	1(1)
None	*None*	*Howe Sound*	*7,000*	*2*
		Metals and Mining—Gold		
2(1)	6,000	Dome Mines	7,000	1(1)
1(1)	15,000	Kerr-Addison Gold Mines	10,000	1(1)
1	*1,000*	*Homestake Mining*	*3,500*	*2(2)*
		Metals and Mining—Nickel		
1	1,700	Falconbridge Nickel	20,000	1(1)
6(2)	31,700	International Nickel	1,000	1
		Metals and Mining—Other		
3	19,300	American Smelting & Refining	6,000	1
2(1)	1,600	American Zinc, Lead & Smelting	None	None
4(2)	76,300	St. Joseph Lead	None	None
3	*17,000*	*American Metal-Climax*	*10,900*	*5(1)*
		Natural Gas		
2(1)	30,170	Alberta Gas Trunk Line	None	None
4(2)	26,000	Arkansas-Louisiana Gas	8,500	3(1)
3	1,500	Colorado Interstate Gas	3,000	1
2(1)	36,300	Houston Corp. (units)	4,000	1(1)
2	5,200	Mississippi River Fuel	7,000	2(1)
1	2,000	Northern Natural Gas	7,400	1
2	11,300	Panhandle Eastern Pipe Line	14,400	1
1	500	Pioneer Natural Gas	13,300	1(1)
3	4,500	Southern Natural Gas	None	None
2	6,000	Southern Union Gas	2,900	1(1)
9(3)	70,000	Tennessee Gas Transmission	4,000	1
2	2,700	Texas Eastern Transmission	None	None
3(2)	15,132	Texas Gas Transmission	None	None
4(1)	123,100	Transcontinental Gas Pipe Line	30,000	2(2)

Continued on page 24

Continued from page 22

Funds Aggressively Support Big Bull Market

reflected in somewhat increased interest, but quite inconsequentially — with Homestake encountering more sellers than buyers.

International Nickel was bought by Investors Mutual, Eaton & Howard Stock, Selected American, Lazard, and others.

Among the other metals, American Smelting and St. Joseph Lead were bought heavily by Wellington. American Metal Climax encountered heavy selling, most of all by M.I.T., which liquidated its entire 65,000 shares.

Office Equipments Remain Popular

IBM, as usual, was the best bought issue in this group; its seven purchasers including Fundamental (4,425), One William Street (3,375), Investors Mutual (1,900), etc. Wellington bought 90,000 shares of Burroughs as a new commitment.

Oils Strongly Favored

Royal Dutch, as mentioned above, once more was the best-bought petroleum issue, even though not as eagerly sought after as in previous quarters. Lazard bought 40,000 shares, State Street 24,000 newly, the Bullock Group 26,500, M.I.T. and One William Street 25,000 each. Largest single seller was Investment Co. of America, with 11,000 shares, joined only by de Vegh with 5,000. Next highly favored were Gulf, with Lazard the largest buyer, and Standard Oil of New Jersey, with Fundamental the largest purchaser; followed by Texas Co., with Wellington and Selected American the largest buyers, and Lehman Corp. the largest of the few sellers. Wellington was likewise the largest buyer of well-liked Cities Service. Also popular were Standard of California, and Atlantic Refining, where buying was bolstered heavily by Wellington's new commitment of 120,000 shares.

Socony, as in the preceding quarter, was in high disfavor; with the largest single seller being Investors Mutual (38,000), followed by Putnam with 16,000 shares.

Rails Cyclical Favorites

In an atmosphere of cyclically recovering volume and earnings, the railroads enlisted increasing investor interest. The selling which had accompanied the return of interest during the September quarter dried up almost entirely during the year's final three months. Best-liked carrier was Southern Pacific, of which M.I.T. bought 25,000 shares and Investment Co. of America 14,500 initially — with no sellers. Next most popular carrier issues were Seaboard Air Line and Atchison. In Seaboard Putnam Fund took a new position (25,000), while M.I.T. added 43,900 shares and State Street 36,500 — while a heavy seller, to the tune of 15,000 shares, was Value Line Income Fund. M.I.T. was also the largest buyer of Atchison, with 35,000 shares; this carrier also being favored by Lazard (15,000). C.&O. also found a large buyer in State Street, which picked up an initial 21,200, as did Value Line Income Fund with 10,000. The latter was the largest buyer of Illinois Central (25,000), of which Lazard made an initial commitment of 20,000 shares. Interestingly, this same management, Value Line Income Fund, sold 15,300 Nickel Plate, in which issue the sellers consequently outnumbered the buyers.

Rail Equipments Also Liked

Rail equipment makers and car-leasers naturally shared in the revived interest in the carriers themselves. There was fair interest in American Brake Shoe, General Railway Signal and Pullman. Opinion was somewhat divided on General American Transportation, and unfavorably disposed toward ACF Industries.

Retailers Mildly Favored

The increasingly progressive Gimbel enterprise attracted correspondingly broadened investor interest, with the common in the latest quarter being newly acquired by United Accumulative (40,000) and Dreyfus (17,000).

Continued on page 25

With Bacon, Whipple

CHICAGO, Ill.—Willis H. Littell has joined Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges, it has been announced.

Mr. Littell was formerly with R. R. Donnelley & Sons Co.

Continued from page 23

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
5(2)	48,400	United Gas	17,000	3(1)
1(1)	14,500	Western Natural Gas	5,000	1
1	*2,500*	*American Natural Gas*	*26,752*	*5(2)*
4(1)	*13,300*	*El Paso Natural Gas*	*29,000*	*5(2)*
1	*600*	*Lone Star Gas*	*2,500*	*2(1)*
		Office Equipment		
4(1)	9,011	Addressograph-Multigraph	4,300	1
3(1)	95,500	Burroughs	3,500	1(1)
7	10,770	IBM	261	3
4(2)	8,200	Pitney-Bowes	1,000	1
1	*8,500*	*National Cash Register*	*5,600*	*2(1)*
		Oil		
6	22,100	Amerada Petroleum	15,000	6
4(2)	133,200	Atlantic Refining	1,500	1(1)
2(1)	8,300	Calgary & Edmonton	None	None
1	15,400	Champlin Oil & Refining	20,300	1(1)
7(2)	52,686	Cities Service	13,840	3(1)
5	12,000	Continental Oil	5,200	3(1)
1	5,000	Delhi-Taylor Oil	7,000	1
2(1)	3,250	General American Oil	None	None
15	43,516	Gulf Oil	200	2
1	3,500	Hudson's Bay Oil & Gas	7,900	1
3(2)	19,200	Kern County Land	None	None
1	5,000	Kerr-McGee Oil	3,000	1(1)
4(1)	70,000	Ohio Oil	7,300	2(2)
5(2)	41,000	Phillips Petroleum	16,500	2(2)
3(1)	14,500	Pure Oil	3,000	1(1)
2(1)	5,500	Richfield Oil	10,000	1(1)
15(2)	173,000	Royal Dutch Petroleum	16,000	2
3	12,500	Shamrock Oil & Gas	4,000	1
5	19,000	Shell Oil	16,500	5(1)
5(1)	11,380	Signal Oil & Gas	14,945	3
5(1)	22,000	Sinclair Oil	9,000	2
2	3,436	Southland Royalty	None	None
6(1)	18,800	Standard Oil of California	13,700	5
5(1)	23,500	Standard Oil (Indiana)	6,000	1
11	23,027	Standard Oil (New Jersey)	65,058	4
2	16,700	Standard Oil (Ohio)	None	None
3(1)	40,300	Sunray Mid-Continent Oil	99,400	2
2(1)	1,550	Superior Oil (Calif.)	2,350	1
10(1)	34,800	Texas Co.	19,400	4(1)
2(1)	7,300	Texas Natural Gasoline	None	None
2(1)	14,800	Texas Pacific Coal & Oil	None	None
2	1,780	Union Oil of California	7,140	2(2)
1	3,900	Union Oil & Gas of Louisiana	500	1
1	13,700	White Eagle Oil	23,000	1
1	*10,000*	*British Petroleum*	*19,000*	*2(1)*
1	*1,900*	*Louisiana Land & Exploration*	*6,700*	*3(1)*
None	*None*	*Mission Development*	*60,500*	*2(1)*
None	*None*	*Plymouth Oil*	*3,030*	*2(2)*
3	*12,000*	*Skelly Oil*	*10,500*	*4(1)*
6	*30,200*	*Socony Mobil Oil*	*107,400*	*13(8)*
None	*None*	*Trans Mountain Oil Pipe Line*	*50,100*	*2(1)*
		Paper and Paper Products		
7(1)	48,050	Champion Paper & Fibre	None	None
4(1)	35,400	Container Corp. of America	None	None
3(1)	12,300	Fibreboard Paper Products	700	1
7(1)	15,208	International Paper	None	None
2(1)	24,500	Mead Corporation	30,000	2(1)
3	27,100	St. Regis Paper	2,400	1
1	400	Scott Paper	300	1
4(1)	16,700	Union Bag-Camp Paper	42,600	2
2	5,200	Warren (S. D.)	None	None
1	*100*	*Crown Zellerbach*	*32,000*	*4(2)*
1	*200*	*Federal Paperboard*	*6,800*	*3(1)*
2(1)	*4,600*	*Great Northern Paper*	*42,000*	*3(2)*
2	*13,200*	*Kimberly-Clark*	*3,000*	*3*
		Public Utilities—Electric and Gas		
2(1)	10,000	American Electric Power	2,500	2
2(2)	29,900	American & Foreign Power	None	None
3	21,000	Arizona Public Service	None	None
2	12,000	Baltimore Gas & Electric	10,500	2
1	1,200	Carolina Power & Light	20,000	1
3	18,700	Central & South West	2,000	1
2	7,100	Cleveland Elec. Illuminating	None	None
5(1)	9,600	Columbus & Southern Ohio Elec.	300	1(1)
1	1,000	Community Public Service	2,500	1
3(1)	6,300	Consolidated Edison (N. Y.)	1,000	1
1	6,925	Dayton Power & Light	9,500	1(1)
1	2,500	Delaware Power & Light	600	1
2(1)	14,100	Detroit Edison	None	None
6(2)	50,600	Florida Power & Light	None	None
11(1)	92,359	General Public Utilities	12,000	2(1)
3	6,800	Houston Lighting & Power	1,500	1
1	200	Idaho Power	200	1
2	14,000	Illinois Power	7,000	1(1)
1	1,000	Kansas City Power & Light	3,400	1
2(1)	41,653	Kentucky Utilities	None	None
2(1)	8,600	Louisville Gas & Electric	2,000	1
1(1)	1,500	Minneapolis Gas	6,100	1
2(1)	1,500	Montana Power	1,900	2(1)
3	5,400	New England Electric System	None	None
2	12,200	Oklahoma Gas & Electric	4,000	2
3(2)	23,500	Pacific Gas & Electric	600	2
7(1)	56,319	Peoples Gas Light & Coke	8,100	2(1)
2(1)	39,300	Public Service Electric & Gas	30,000	2(2)
2(1)	1,500	Public Service of Indiana	28,700	2(1)
3(1)	5,700	Puget Sound Power & Light	35,000	1(1)
1(1)	1,000	San Diego Gas & Electric	44,400	1
1	3,000	Sierra Pacific Power	7,386	1(1)
2	7,000	Southern California Edison	None	None
3(2)	50,500	Southern Company	9,000	2
4(1)	25,500	Tampa Electric	5,000	1
2(1)	6,740	Tucson Gas, Elec. Light & Power	None	None
2	13,500	Union Electric (Mo.)	1,500	1(1)
5(2)	50,600	Virginia Electric & Power	1,000	1
4(1)	62,100	Wisconsin Electric Power	500	1
None	*None*	*Brooklyn Union Gas*	*15,000*	*2(1)*
None	*None*	*Central Illinois Light*	*18,600*	*2(1)*
None	*None*	*Central Maine Power*	*55,635*	*2(2)*
1	*15,000*	*Cincinnati Gas & Electric*	*10,100*	*3(1)*
2	*5,138*	*Columbia Gas System*	*43,900*	*3(2)*
1	*15,400*	*Commonwealth Edison*	*13,312*	*3*
2(1)	*13,000*	*Consumers Power*	*17,900*	*3*
1(1)	*30,000*	*Duquesne Light*	*6,500*	*2(1)*
None	*None*	*Florida Power*	*20,500*	*2*
None	*None*	*Gulf States Utilities*	*3,500*	*2*
None	*None*	*Interstate Power*	*18,500*	*2(1)*
2	*3,500*	*Middle South Utilities*	*36,700*	*4*
None	*None*	*Minnesota Power & Light*	*7,000*	*2(1)*
2	*11,100*	*Niagara Mohawk Power*	*‡16,000*	*‡3(1)*
1	*30,500*	*Northern States Power*	*7,000*	*2(1)*
1	*6,500*	*Ohio Edison*	*9,500*	*3(1)*
1	*500*	*Philadelphia Electric*	*5,000*	*2*
1	*10,000*	*Public Service of Colorado*	*5,800*	*2*
1(1)	*2,000*	*Rochester Gas & Electric*	*31,900*	*3(1)*
1	*11,100*	*West Penn Electric*	*34,300*	*4*

‡Not including sale of 41,500 shares by United Corporation.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Public Utilities—Telephone and Telegraph		
11(1)	35,389	American Tel. & Tel.	13,400	3
3(1)	38,250	General Telephone	5,800	2(1)
2	3,200	Western Union	3,800	1
None	*None*	*Hawaiian Telephone*	*10,612*	*2(2)*
		Radio, Television and Motion Pictures		
2(1)	18,550	Disney (Walt) Productions	15,000	1(1)
2(1)	2,500	Twentieth Century-Fox	1,000	1(1)
1	*10,000*	*American Broadcast.-Paramount*	*78,200*	*2(2)*
3	*7,580*	*Columbia Broadcasting*	*32,240*	*4*
1	*1,800*	*Motorola*	*3,000*	*2(1)*
1(1)	*800*	*Warner Pictures*	*32,600*	*2(1)*
None	*None*	*Zenith Radio*	*6,500*	*2*

—Bought—			—Sold—	
No. of Trusts	No. of Shares		No. of Shares	No. of Trusts
		Railroads		
7(1)	63,500	Atchison, Topeka & Sante Fe	13,900	3
2(1)	67,100	Atlantic Coast Line	5,000	1(1)
6(1)	50,700	Chesapeake & Ohio	None	None
5(3)	28,500	Denver & Rio Grande Western	3,100	1(1)
4(2)	16,700	Great Northern	None	None
6(2)	52,800	Illinois Central	None	None
4(1)	12,300	Louisville & Nashville	None	None
2	8,000	Missouri Pacific "A"	None	None
4	24,700	Norfolk & Western	3,000	1
4	10,000	Northern Pacific	None	None
2	1,850	Pittsburgh & Lake Erie	None	None
7(3)	116,100	Seaboard Air Line	16,000	2
8(1)	72,000	Southern Pacific	None	None
5	53,100	Southern Railway	30,000	4(2)
3	9,000	Union Pacific	None	None
1	2,000	Virginian Railway	2,000	1
1	*2,000*	*Chicago, Rock Island & Pacific*	*7,500*	*2(1)*
2	*32,500*	*N. Y., Chicago & St. Louis*	*26,300*	*3(2)*
		Railroad Equipment		
3(1)	17,100	American Brake Shoe	None	None
3(2)	5,200	General American Transport	7,300	2(1)
3	7,100	General Railway Signal	None	None
1(1)	25,000	New York Air Brake	5,000	1
3(1)	20,500	Pullman	None	None
2	2,520	Westinghouse Air Brake	1,000	1
1(1)	*4,000*	*ACF Industries*	*12,000*	*2*
		Retail Trade		
4	7,100	Allied Stores	36,700	2(1)
3(2)	59,000	Gimbel Bros.	1,100	1
4	9,200	Grand Union	3,100	1
2(2)	18,000	Great A. & P.	None	None
4(2)	38,200	Green (H. L.)	22,000	2(1)
1	1,700	Hecht	20,200	1(1)
3(2)	13,600	Kresge (S. S.)	None	None
2(2)	13,000	Kress (S. H.)	None	None
1	3,000	Macy (R. H.)	14,000	1(1)
2	10,300	Marshall Field	None	None
2(1)	25,300	May Department Stores	None	None
1	6,000	Mercantile Stores	10,000	1(1)
1(1)	3,000	Penney (J. C.)	500	1
4	18,600	Sears, Roebuck	8,000	1(1)
4(1)	71,400	Spiegel	7,500	1(1)
1	2,500	Winn-Dixie Stores	16,600	1
4(2)	18,800	Woolworth (F. W.)	3,000	1(1)
None	*None*	*ACF-Wrigley Stores*	*31,020*	*2*
2	*8,800*	*Federated Department Stores*	*12,500*	*3*
1	*156*	*Kroger*	*15,900*	*2*
None	*None*	*National Tea*	*4,100*	*2(1)*
1	*1,000*	*Simpsons Ltd.*	*8,500*	*2*
		Rubber and Tires		
2	16,500	Armstrong Rubber "A"	None	None
9	14,880	Firestone Tire & Rubber	440	1
2(2)	11,500	General Tire & Rubber	None	None
7	7,248	Goodyear Tire & Rubber	1,500	1(1)
6	28,600	Goodrich (B. F.)	63,600	6(1)
3	*40,100*	*U. S. Rubber*	*26,787*	*4(3)*
		Steel and Iron		
7	61,200	Armco Steel	10,900	2(1)
2(1)	4,000	Carpenter Steel	2,000	1(1)
1(1)	2,000	Cleveland-Cliffs Iron	17,340	1
2(2)	15,500	Crucible Steel	None	None
2(2)	8,500	Hanna Mining	None	None
3	8,700	Inland Steel	None	None
5(1)	42,500	Jones & Laughlin Steel	36,500	3(2)
5(2)	87,500	National Steel	None	None
7	105,900	Republic Steel	7,500	3(1)
10	79,300	U. S. Steel	1,500	2
8(1)	36,000	Youngstown Sheet & Tube	5,000	2
1	*2,000*	*Allegheny Ludlum Steel*	*2,500*	*2(1)*
3	*21,500*	*Bethlehem Steel*	*57,000*	*8*
None	*None*	*Mesabi Iron*	*5,500*	*2(1)*

Continued on page 26

Continued from page 23

Funds Aggressively Support Big Bull Market

Spiegel, a traditionally volatile earner, attracted particularly confident buying by Fidelity (37,000 newly), and, here too, by United Accumulative and Dreyfus. H. L. Green attracted Affiliated, Group Securities, and Investment Trust of Boston. Biggest seller of this issue was Value Line Income Fund. Reflecting revived investor interest, Woolworth attracted four buyers, including new commitments by Axe "B" and Shareholders' Trust of Boston. One William Street picked up a 25,000-share block of May Department Stores.

Rubber and Tires in High Esteem

Here by far the outstandingly chosen issue was Firestone, the buyers including the new funds, One William Street and Lazard, as well as veteran units such as United Corporation, Selected American, etc. Also favored was Goodyear, while opinion was divided on Goodrich and U. S. Rubber.

Steels Bullish Leaders

The bellwether steels served as one of the best liked groups during the quarter, with the notable exception of Bethlehem. Most heavily bought issues, were U. S. Steel and Youngstown Sheet & Tube; in both these, M.I.T. was the largest buyer, with 30,000 and 20,000 shares, respectively. Of U. S. Steel the Tri Group bought 20,100. Sharing the spotlight were Republic and Armco; the former finding its largest buyers in M.I.T. (54,400) and the Lehman-One William Street duo (20,000 newly and 10,000, respectively); and Armco being bought by Tri, Fundamental, M.I.T., Lazard, and others. As in the preceding quarter, Bethlehem was sold on balance, the disposers including the United Funds group, Investment Trust of Boston, the Adams-AIC group, etc.; with the few buyers led by One William Street.

Textiles Come Into Favor

Typical of the revived "cyclical" interest is the broadened buying of textile issues. In the lead, anticipating the sensational earnings improvement, was far-flung United Merchants & Manufacturers, the buyers including Fidelity (56,000) and American European (4,000 newly). In Rayonier, as usual, transactions were heavy on both the buying and selling sides, purchasers including the United Funds group, and sellers Wellington and Delaware.

Tobaccos Satisfying

Kent-producing Lorillard was the star performer here, with the largest buyer newly-acquiring United Funds group (47,000). Philip Morris was also well-bought, with the same group leading the buyers.

BANKS ENCOUNTER SELLING

Despite merger plans and rumors, and firmer interest rates, bank stocks — recent favorites — performed as the most unpopular group. Thus, the Value Line Fund sold all its bank issues, namely Chase Manhattan, Chemical Corn, Guaranty, and Hanover. Other sellers included Madison, the Axe Group, and Investors Mutual. Only Chemical Corn was bought on balance.

GROUPS MEETING MIXED REACTION

Drugs Meet Profit-Taking

Heaviest profit-taking in this group occurred in Parke, Davis—just split three-for-one — largely by Affiliated (133,000) and Investment Co. of America (51,000). Affiliated was the largest seller of Bristol-Myers. Investment Co. of America and United Science liquidated Eli Lilly. Split-scheduled Warner-Lambert was exclusively sold, especially by the Tri group and Dreyfus. Buyers barely outnumbered sellers in Merck. Loomis-Sayles reports a complete disposal of its 4,750-share holding in recent market newcomer Upjohn.

Varied Attitude Towards Foods

Biggest buyer of Armour was Lazard (50,000), with the following explanation: "This is a calculated risk we have assumed, but only after intensive analysis." United Accumulative Fund took a new 40,000-share position in National Biscuit. On the other hand, newly-merged Corn Products found more sellers than buyers, notably Affiliated and National Securities Income. Madison and Putnam eliminated their holdings of Kellogg; Loomis-Sayles & Dreyfus disposed of their hold-

Continued on page 26

E. F. Johnson Partner In Van Alstyne, Noel

Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, announced that Edward F. Johnson, Sales Manager of the firm since 1955, has been elected a general partner.

Continued from page 25

Funds Aggressively Support Big Bull Market

ings in Quaker Oats. Opinion was divided on United Fruit.

Natural Gas Mixed

Related in part to favorable court developments, more buying than selling occurred in natural gas stocks, but the selling was important enough to classify this group among those eliciting mixed interest. Best bought was Tennessee Gas Transmission, of which Investors Mutual alone bought 26,100 shares, joined by eight other managements, with the Value Line Fund the lone seller. United Gas was second most popular, with Wellington the largest acquirer. In American Natural Gas and El Paso Natural Gas, sellers predominated, in both instances led by Investors Mutual.

Papers Divergent

There was only buying and no selling in Champion, Container Corp. and International; the buyers including One William Street and Lehman for Champion; again Lehman for Container Corp., and One William for International. Selling predominated chiefly in Crown Zellerbach, of which M. I. T. and Wellington were the largest sellers, and in Great Northern, where the sellers were led by the United Funds Group and Fidelity, all liquidating their holdings.

Two-Sided Transactions in Utilities

The momentum of buying of utilities continued, but again with a substantial admixture of selling. Liquidation was quite heavy in West Penn Electric, Middle South Utilities, Interstate Power, Rochester Gas & Electric, Columbia Gas System, and Central Maine Power. On the buying side of the utilities, GPU excelled, the largest purchasers being Wellington and M. I. T. Also well-bought was Peoples Gas, some of this buying, as in GPU, presumably emanating from the exercise of rights.

Radio-TV-Movies Mixed

Sellers predominated in ABC-Paramount, completely disposed of Value Line Income and Madison; and in CBS, sold largely by Wellington. Fidelity made a new commitment in Walt Disney which however, was eliminated by Value Line Special Situations Fund. In "controversial" Loew's there was only one transaction, an elimination by Overseas Securities.

Interesting Miscellania

In the **container** area, Continental Can was well-bought, by United Funds group and Fidelity, while sold by State Street. American Can, on the other hand, was in great disfavor, being hit hard by selling from Fidelity, Tri, Madison, Delaware, Lehman, etc.

In the **farm equipment** group, Deere was bought by Lazard (31,000) and seven others in a near stand-off process as Fundamental (with 33,000) led seven sellers of the issue. International Harvester, on the other hand, was well liked, with Wellington the largest of six buyers, and Knickerbocker the only seller.

In the **beverage** group, Pepsi-Cola found three buyers, including Investment Co. of America (30,000 newly), while Lehman sold all its 15,000 shares. Lehman also sold its Coca-Cola stock, joined therein by three other funds, while only two funds bought this issue. Opinion was divided on liquor-chemical-metal producer National Distillers.

Coal stocks generated only mild interest, despite the improved business prospects. Island Creek was bought by Delaware and National Shares, and Consolidation by Lazard and Loomis, but sold by Lehman and Putnam. Surprisingly in the light of its enormous market rise and expanding business activities, coal-underwear-boot producer Philadelphia & Reading prompted only one transaction, a 500-share partial sale by Energy Fund.

Among the **finance** companies, C. I. T. (prior to the Ford decision to re-institute its own financing unit) was best liked, with M. I. T. the largest buyer, Axe "A" being the only seller. On the other hand, Axe "B" took a new position in Beneficial Finance, which was also bought by One William St.

Also in the miscellaneous category, fast-stepping Outboard Marine and Polaroid continued to attract widespread interest. Marine was liberally bought by Affiliated, One William Street, and Fundamental; and Polaroid also by Fundamental, as well as by Investment Trust of Boston among others.

The stock of the giant closed-end investment company, Tri-Continental, selling at an all-time high price, but with a smaller discount than existed in former years, was sold by Fidelity whose 25,400-share disposition reduced its holdings to 130,000 shares; and by Dreyfus, which sold 7,500 shares, leaving it with 6,000 shares and 16,700 warrants.

Continued from page 25

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Textile		
3(1)	31,000	American Viscose	1,000	1
1(1)	10,000	Beaunit Mills	4,000	1(1)
2(1)	23,000	Burlington Industries	75,140	2(1)
1(1)	15,000	Celanese	6,100	1
1	2,400	Cluett, Peabody	1,000	1(1)
1	5,000	McGregor-Doniger "A"	15,000	1(1)
3	14,312	Rayonier	33,900	3(1)
2(1)	20,000	Stevens (J. P.)	25,300	2(1)
5(1)	63,275	United Merchants & Mfrs.	26,015	2(1)
		Tobacco		
4(2)	6,600	American Tobacco	500	1
5(2)	74,375	Lorillard (P.)	1,000	1(1)
5(1)	53,100	Philip Morris	None	None
2	2,500	Reynolds Tobacco	2,500	2
		Miscellaneous		
2(1)	21,000	American Bosch Arma	1,500	1
1	1,500	American Express	114	1
3(2)	65,400	American Machine & Foundry	None	None
3(2)	16,200	American-Marietta	None	None
2(2)	265,000	Arvida Corp.	None	None
2	540	Avon Products	440	1
1	5,000	Beech-Nut Life Savers	8,000	1
2	401	Brunswick-Balke-Collender	5,666	2(1)
2	1,200	Colgate-Palmolive	3,000	1
4	9,957	Eastern Industries	4,000	1
1(1)	10,000	Ekco Products	760	1(1)
4	35,200	Gillette	61,500	2(2)
2(1)	10,000	Glidden	2,000	1(1)
4(1)	24,600	Grolier Society	None	None
4	57,300	Halliburton Oil Well Cementing	6,000	3(1)
2	2,600	Harbison-Walker Refractories	1,500	1
3(1)	36,000	Hertz	2,000	1
2	2,400	McKesson & Robbins	2,300	2
3(1)	25,400	Newmont Mining	None	None
2	7,000	Newport News Shipbuilding	25,000	1
1(1)	50,000	Ogden Corp.	15,000	1(1)
1	500	Ohio Brass "B"	2,275	1(1)
6	63,700	Outboard Marine	None	None
7(1)	9,405	Polaroid	None	None
2	11,000	Revlon	None	None
1	2,500	Stone & Webster	10,400	1
2	5,000	Transamerica	9,500	2(2)
1	200	Vitro Corp.	1,000	1
2	4,400	Wrigley (Wm.), Jr.	None	None
1	*6,400*	*American Chicle*	*11,800*	*3(1)*
1	*300*	*Fansteel Metallurgical*	*7,000*	*2(2)*
None	*None*	*Filtrol*	*50,100*	*2(1)*
1	*300*	*Foote Mineral*	*6,700*	*2(1)*
1	*12,700*	*McGraw-Hill Publishing*	*13,200*	*2(1)*
None	*None*	*Okonite*	*17,000*	*2(2)*
None	*None*	*Tri-Continental*	*32,900*	*2*

Reinders Dist. Mgr. For Broad St. Sales

Erik C. Reinders has been appointed a District Manager of Broad Street Sales Corporation, it has been announced by Milton Fox-Martin, President. Broad Street Sales Corp. is national distributor for shares of the Broad Street Group of Mutual Funds—Broad Street Investing Corporation, National Investors Corp. and Whitehall Fund, Inc. In his new position, Mr. Reinders will have charge of the distribution of shares of the Broad Street Group of Mutual Funds through investment dealers in Connecticut, the Southeast territory of New York State, Long Island, and certain investment firms in New York City. Mr. Reinders also will continue to work with dealers in the states of Florida and Georgia, as he has during the past five years.

Erik C. Reinders

Mr. Reinders has been with Broad Street Sales Corporation since July, 1954, as Sales Development Manager and District Manager for Florida and Georgia.

Nikko Securities Co. Opens NYC Office

The Nikko Securities Co., Ltd. of Tokyo has opened a New York office at 25 Broad Street, under the management of Naomichi Toyama.

Form Magna Planning

Magna Planning Corporation has been formed with offices at 39 Cortlandt Street, New York City, to engage in a securities business. Officers are Myron Solomon, President; and Joanne Digsenhouse, Vice-President. Both were formerly with Atlas Planning Co.

Balance Between Cash and Investments of 83 Investment Companies End of Quarterly Periods September and December, 1958

Security Transactions by the 83 Investment Companies During Oct.-Dec., 1958

	Net Cash & Governments† Thousands of Dollars —End of— Sept.	Dec.	Net Cash & Governments† Per Cent of Net Assets —End of— Sept.	Dec.	Investment Bonds and Preferred Stocks* Per Cent of Net Assets —End of— Sept.	Dec.	Com. Stks. and Lower Grade Bonds & Pfds. Per Cent of Net Assets —End of— Sept.	Dec.	(In Thousands of Dollars) Portfolio Securities Other than Governments Total Purchases††	Total Sales**	Of this: Portfolio Common Stocks Total Purchases††	Total Sales**
Open-End Balanced Funds:												
American Business Shares	3,325	3,265	12.3	11.8	32.2	31.9	55.5	56.3	None	751	None	751
Axe-Houghton Fund A	1,891	2,783	4.2	5.7	37.3	35.7	58.5	58.6	1,886	3,850	1,624	3,650
Axe-Houghton Fund B	----	3,737	----	3.4	§26.9	23.9	§72.5	72.7	7,584	3,776	6,379	1,702
Axe-Houghton Stock Fund	----	15	----	§0.2	§25.2	§25.3	§74.8	§74.5	227	262	227	262
Axe Science & Electronics	202	76	2.4	0.8	25.6	23.4	72.0	75.8	208	439	208	439
Boston Fund	4,799	4,480	2.8	2.3	¶33.6	¶31.8	‡63.6	‡65.9	15,928	12,993	13,715	11,525
Broad Street Investing	2,282	2,400	1.9	1.7	14.6	11.7	83.5	86.6	11,163	6,444	10,273	3,744
Commonwealth Investment	13,759	11,029	10.3	7.6	21.1	21.5	68.6	70.9	7,714	3,999	3,915	2,478
Diversified Investment Fund	1,280	1,482	1.8	1.6	26.6	31.9	71.6	66.5	6,123	2,189	5,823	1,748
Dodge & Cox Fund	309	68	5.1	4.4	27.5	24.7	67.4	70.9	260	215	260	215
Eaton & Howard Balanced Fund	20,509	22,955	10.9	11.5	25.6	22.6	63.5	65.9	4,035	8,779	299	195
General Investors Trust	233	874	4.8	14.0	24.8	27.8	70.4	58.2	809	480	329	478
Group Securities— Fully Administered Fund	866	476	8.9	4.6	18.3	18.4	72.8	77.0	468	137	266	32
Institutional Foundation Fund	819	988	5.1	5.3	8.8	9.8	86.2	84.9	3,572	2,515	2,568	2,324
Investors Mutual	----	8,037	----	0.6	§¶34.7	¶33.3	§‡63.1	‡66.1	42,265	33,627	23,593	14,930
Johnston Mutual Fund	385	370	5.4	4.7	26.7	22.2	67.9	73.1	1,057	861	912	562
Knickerbocker Fund	2,252	2,348	16.2	16.5	10.3	8.9	73.5	74.6	528	1,164	528	1,164
Loomis-Sayles Mutual Fund	14,330	15,985	21.2	22.3	22.9	19.0	55.9	58.7	8,218	8,876	8,200	7,333
Massachusetts Life Fund	2,388	3,265	5.4	6.7	27.8	25.5	66.8	67.8	1,635	855	1,390	716
Mutual Investment Fund	3,650	2,110	16.8	8.7	27.4	23.9	55.8	67.4	4,151	1,491	3,222	650
National Securities—Income	1,379	1,088	2.2	1.6	6.4	9.8	91.4	88.6	5,460	4,257	3,548	3,535
Nation-Wide Securities	2,619	3,652	8.7	11.5	36.1	34.0	55.2	54.5	1,162	2,467	363	882
New England Fund	2,165	2,234	14.9	14.3	20.0	18.9	65.1	66.8	672	542	672	542
George Putnam Fund	9,228	9,361	5.6	5.2	26.5	25.6	67.9	69.2	12,837	10,902	5,788	5,607
Scudder, Stevens & Clark Fund	1,644	1,538	2.2	1.9	32.2	29.9	65.6	68.2	927	66	None	None
Shareholders' Trust of Boston	742	653	3.1	2.4	35.6	30.4	61.3	67.2	3,492	1,402	3,170	733
Stein Roe & Farnham Fund	3,001	4,998	10.0	14.7	25.7	19.7	64.3	65.6	968	1,970	768	746
Value Line Fund	370	53	3.9	0.6	None	1.7	96.1	97.7	3,024	3,096	2,881	3,027
Value Line Income Fund	2,200	7,263	2.6	8.2	4.9	4.4	92.5	87.4	8,572	14,107	8,572	13,987
Wellington Fund	70,370	74,178	9.0	8.7	25.5	23.2	65.5	68.1	33,386	18,685	27,756	13,313
Whitehall Fund	274	251	2.8	2.4	39.2	40.3	58.0	57.3	754	656	295	585
Sub-Total Open-End Bal. Funds	167,271	192,012	6.5	6.5	24.2	23.2	69.3	70.3	189,085	151,853	137,544	97,855
Open-End Stock Funds:												
Aberdeen Fund	425	486	3.6	3.7	None	None	96.4	96.3	1,558	1,174	1,558	1,174
Affiliated Fund	60,088	57,926	13.0	11.3	0.4	0.4	86.6	88.3	a20,447	a12,522	20,447	12,521
Blue Ridge Mutual Fund	1,980	3,236	6.8	10.0	0.7	0.7	92.5	89.3	2,421	4,130	1,832	3,107
Bullock Fund	10,530	10,936	22.9	23.3	None	None	77.1	76.7	1,633	1,717	1,633	1,717
Delaware Fund	1,242	576	2.0	0.8	6.0	5.8	92.0	93.4	8,408	6,147	7,649	5,475
de Vegh Mutual Fund	119	13	0.7	0.1	None	None	99.3	99.9	2,049	1,898	2,049	1,898
Dividend Shares	45,294	44,306	18.4	16.6	None	None	81.6	83.4	5,689	6,574	5,689	6,574
Dreyfus Fund	28	986	0.1	2.7	None	None	99.9	97.3	8,850	4,868	8,850	4,868
Eaton & Howard Stock Fund	25,496	24,283	21.7	18.0	None	None	78.3	82.0	11,781	6,760	8,047	760
Energy Fund	18	48	0.4	0.8	None	None	99.6	99.2	214	104	214	104
Fidelity Fund	4,088	5,184	1.3	1.4	2.8	2.4	95.9	96.2	27,260	22,883	25,113	21,562
Fundamental Investors	8,657	7,517	1.9	1.4	0.1	1.1	98.0	98.5	13,192	3,824	13,192	3,824
General Capital Corp.	86	111	0.5	0.6	None	None	99.5	99.4	200	141	200	141
Group Securities—Com. Stock Fund	1,045	662	2.2	1.2	None	None	97.8	98.8	5,656	2,002	5,656	2,002
Incorporated Investors	23,231	17,026	8.4	5.5	0.9	0.9	90.7	93.6	a14,194	a8,212	13,077	8,212
Institutional Investors Mutual Fund§§	2,994	2,858	7.3	6.6	None	None	92.7	93.4	1,512	3,166	1,512	3,166
Investment Co. of America	24,675	19,852	20.7	14.5	0.7	0.9	78.6	84.6	16,590	10,527	14,606	9,777
Investment Trust of Boston	----	----	----	----	§7.5	§6.8	§91.2	§93.2	3,193	872	2,995	872
Lazard Fund	38,431	17,254	31.3	12.8	None	None	68.7	87.2	a24,976	a4,035	24,799	4,035
Massachusetts Investors Trust	32,313	16,287	2.5	1.1	None	None	97.5	98.9	a30,431	a13,180	30,431	13,180
Massachusetts Investors Growth Stock	11,117	7,406	5.6	3.2	None	None	94.4	96.8	12,922	425	12,922	425
Missiles-Jets & Automation	b898	448	b36.0	15.4	b25.8	c31.1	b38.2	53.5	249	None	181	None
National Investors	1,020	2,225	1.2	2.4	0.7	0.7	98.1	96.9	2,186	2,282	2,186	2,282
National Securities—Stock	3,856	2,107	2.6	1.3	None	None	97.4	98.7	6,574	1,008	6,574	1,008
One William Street	88,488	45,476	35.1	16.4	3.1	0.9	61.8	82.7	a51,016	a5,288	51,016	531
Pine Street Fund	777	869	5.0	5.0	10.7	11.6	84.3	83.4	1,481	1,357	867	1,032
Price (T. Rowe) Growth Stock	3,097	3,640	21.9	21.6	5.7	4.5	72.4	73.9	1,327	857	1,327	798
Scudder, Stevens & Clark— Common Stock Fund	843	586	3.8	2.3	None	None	96.2	97.7	None	None	None	None
Selected American Shares	3,031	3,820	3.8	4.2	0.9	0.4	95.3	95.4	a14,159	a12,264	14,159	11,934
Sovereign Investors	60	36	2.4	1.3	4.4	4.3	93.2	94.4	243	114	230	114
State Street Investment	15,255	13,867	8.7	7.0	1.1	1.1	90.2	91.9	21,507	12,894	‡‡19,500	‡‡10,900
Texas Fund	889	1,650	2.6	4.3	0.4	0.2	97.0	95.5	898	1,373	898	1,373
United Accumulative Fund	5,756	7,610	2.8	3.1	13.7	11.6	83.5	85.3	29,155	15,295	28,990	14,045
United Continental Fund	2,340	1,261	6.7	3.3	1.3	2.5	92.0	94.2	5,774	3,735	5,415	3,558
United Income Fund	6,066	4,394	3.2	2.1	2.1	4.3	94.7	93.6	7,237	5,631	6,791	5,631
United Science Fund	3,863	5,686	6.2	7.7	0.5	0.4	93.3	91.9	4,501	3,256	4,355	3,219
Value Line Special Situations	187	179	2.2	2.0	None	None	97.8	98.0	1,909	2,560	1,719	2,560
Wall Street Investing	1,216	1,241	14.9	14.2	None	None	85.1	85.8	168	107	168	107
Wisconsin Fund	653	463	4.9	3.2	8.1	4.3	87.0	92.5	1,334	1,135	1,334	649
Sub-Total Open-End Stock Funds	429,107	331,849	e6.4	e5.8	e1.9	e1.8	e91.6	e92.4	362,894	184,317	348,181	171,135
Total Open-End Funds	596,378	523,861	e6.4	e6.1	e12.2	e11.7	e81.3	e82.3	551,979	336,170	485,725	268,990
Closed-End Companies:												
Adams Express	6,376	5,074	6.7	5.2	0.5	0.6	92.8	94.2	297	1,661	273	1,661
American-European Securities	1,636	1,051	8.5	5.6	26.3	16.2	65.2	78.2	1,727	2,355	1,727	300
American International	2,982	1,960	7.5	4.8	0.9	1.0	91.6	94.2	201	1,229	184	1,229
Carriers & General	1,773	1,435	9.8	7.6	9.7	7.9	80.5	84.5	263	502	263	121
General American Investors	5,862	3,509	8.4	5.1	1.6	1.6	90.0	93.3	1,000	2,747	1,000	2,747
General Public Service	2,359	f9,190	7.8	f20.5	0.2	0.1	92.0	79.4	a5,057	a1,158	5,057	1,157
Lehman Corp.	16,407	5,142	6.3	1.9	0.5	0.4	93.2	97.7	14,458	12,181	13,568	11,038
Madison Fund¶¶	1,540	f4,366	1.5	f3.2	2.4	6.2	96.1	90.6	38,130	20,930	21,499	9,584
National Shares	191	f2,941	0.7	f8.2	9.6	5.8	89.7	86.0	6,680	1,493	5,456	997
Niagara Share	3,224	3,428	6.3	6.0	2.8	2.4	90.9	91.6	1,206	1,127	1,206	1,127
Overseas Securities	----	----	----	----	§7.8	§8.8	§68.5	§73.5	1,177	1,286	‡‡1,015	1,286
Tri-Continental	4,342	3,487	1.2	0.9	12.2	9.9	86.6	89.2	18,626	20,279	17,834	12,471
U. S. & Foreign Securities	18,505	16,126	15.2	13.1	None	None	84.8	86.9	None	None	None	None
Total Closed-End Companies	65,197	57,709	6.1	6.3	5.7	4.7	86.3	87.6	88,822	66,948	69,082	43,718
Grand Total	661,575	581,570	e6.5	e6.2	e11.3	e10.6	e82.2	e83.2	640,801	403,118	554,807	312,708

†Including corporate short-term notes where so included by reporting investment company. *Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB for preferreds (or approximate equivalents). ¶Bonds and preferreds irrespective of quality classification. ‡Common stocks only. §In percent of gross assets. ††Cost of purchases. **Proceeds from sales. ‡‡Estimated. §§Owned by 83 savings banks, etc. in New York State. ¶¶Formerly Pennroad Corporation. a Exclusive of corporate short-term notes. b As of Sept. 16, 1958. c All convertible (or with warrants). e New funds in build-up stage (Lazard, Missiles-Jets, and One William Street) not included. f. Bolstered temporarily by rights proceeds.

SUMMARY

Changes in Cash Position of 79* Investment Companies Dec. 31, 1958 vs. Sept. 30, 1958

	Plus	Minus	Approx. Unchanged	Total
Open-End Companies				
Balanced Funds	10	16	5	31
Stock Funds	9	20	6	35
Closed-End Companies	3	9	1	13
Totals	22	45	12	79

*New funds in build-up stage (Lazard, Missiles-Jets, and One William Street) not incl.

Average Allocation by 79* Companies of Assets to Cash and Equivalent, Defensive Securities, and Risk Securities

	Sept. 30, 1958	Dec. 31, 1958
Net cash, etc., and Governments	6.5%	6.2%
Defensive securities (investment bonds and preferreds)	11.3	10.6
Risk securities (common stocks plus lower grade bonds and preferreds)	82.2	83.2
	100.0%	100.0%

*New funds in build-up stage (Lazard, Missiles-Jets, and One William Street) not incl.

Continued from first page

Business and Stock Outlook For the Long-Term Investor

expenditures, which constitute about 65%, business investment, about 15%, and government purchases, about 20%. For 1958 as a whole, Gross National Product is estimated at $437 billion, down slightly from the $440 billion for 1957.

On top of the forces which have supported the recovery to date—namely, personal consumption expenditures for **non - durable** goods and services, high government expenditures, and home construction—we have **yet to pile on a recovery** in consumer expenditures for **durable** goods, a return to inventory accumulation, and, later on, a recovery in capital expenditures by business for new plant and equipment. Adding up these elements, the Gross National Product for 1959 should approximate $475 billion, and **will probably reach an annual rate of $490 billion by the fourth quarter of 1959.** We can look forward to hitting a $500 billion annual rate in 1960.

Personal Income

Personal income climbed to a record annual rate of $360 billion in November, 1958. The November rate was $2.5 billion higher than October, and $9.8 billion above the $350.2 billion in November, 1957. Significantly, the entire $2.5 billion gain in the personal income rate in November came from higher wage and salary payments. This rise primarily reflected stepped-up production in several durable goods and industries, particularly the auto industry, metals and machinery segments of the economy, which previously had lagged. In December, personal income dropped slightly to $359.3 billion annual rate.

For the full year 1958, it is estimated to have hit a **new high** of more than $353 billion, which would mean an increase of more than $5 billion over 1957. Personal income now is probably close to an **annual rate** of $365 billion, or $1 billion a day. For the full year 1959, personal income should reach $375 billion.

Governmental action has been instrumental in sparking the recovery. Of the $9.8 billion increase in personal income which occurred between November 1957, and November 1958, increased government wage disbursements and transfer payments (such as unemployment insurance and social security) and private pension benefits amounted to $6.8 billion, and increased farm benefits accounted for part of the remaining $3.0 billion. This illustrates how well **"built-in" stabilizers** operated to cushion the drop.

Retail Sales

With purchasing power at a peak rate, retail sales advanced to a new high in 1958. In December, the FRB seasonally adjusted index of department store sales was 145% of the 1947-49 average. This was eight percentage points higher than the November index, and seven percentage points above the figure for December, 1957.

Total retail sales in November were $17.2 billion, up from $16.9 billion in October, 1958, and $16.6 billion in November, 1957. It is a favorable indication that November was the second successive month in which sales of durable consumer goods, heretofore the weaker segment of retail sales, increased by more than $200 million. The improvement in durable goods sales (automobiles, furniture, appliances, etc.) is noteworthy since their purchase is most easily deferred by consumers. It portends brisker sales in 1959 of "big ticket" items, as people have more money left over after buying necessities.

Final demand (that is, total demand excluding inventory changes) remained strong throughout the recession, declining for only two quarters from the peak reached in the third quarter of 1957. **Personal consumption expenditures** of $291.5 billion in the third quarter of 1958 were $3.2 billion above the previous record annual rate in the 1957 third quarter. **Personal consumption expenditures for services** which are equivalent to almost 40% of total consumption expenditures, rose, without interruption, each successive quarter throughout the recession. These amounted to $112.5 billion (annual rate) in the third quarter of 1958, up $5.1 billion from the third quarter of 1957.

Consumer outlays for non-durable goods declined in only one quarter, the fourth quarter of 1957 and increased each quarter in 1958. The third quarter rate was $142.9 billion compared with $140.5 billion one year earlier.

Durable goods purchases are the only part of consumer outlays which are below the peak reached in 1957, the decline arising chiefly from a reduction in automobile purchases. However, expenditure on consumer durable goods is rising rapidly and conditions favor a continuation of this rise throughout the year.

Estimates by economists place 1959 **consumer disposable income,** after taxes, at from $14 billion to $20 billion above 1958. Further recovery in the economy in 1959 should carry retail sales at least 5% above 1958.

Capital Expenditures

The outlook for plant and equipment expenditures in 1959 is for moderate recovery. The latest Department of Commerce Survey of Business estimates spending for the first quarter of 1959 at an annual rate of $30.5 billion. This is but a moderate gain over the figure of $29.9 billion for the final quarter of 1958. This approximates the same average rate that prevailed during 1958, which was 17% below the record rate in 1957. The direction of the trend is more significant than its magnitude for it indicates that the very sharp drop in capital expenditures that began late in 1957 is over. The reversal of the downward trend for two successive quarters comes as a surprise to many economists who had expected that the turn would not be reached until mid-1959 at the earliest.

The **index of new orders** for industrial supplies and machinery (a significant leading indicator of capital expenditures) has gained for seven successive months. In November 1958 this index was 189% of the July 1948 base, a recovery of one-half its decline from the pre-recession high made in January, 1957.

The pace of **industrial research** is rising steeply—from $3.5 billion in 1953 to more than $8 billion in 1958. The better machines and processes resulting from research force modernization or replacement of plant to remain competitive. Despite the expenditure of almost $300 billion by industry for plant and equipment since 1947, it would cost an additional $95 billion to replace obsolete facilities still in use. It would require an additional expenditure of $8-$10 billion annually merely to keep pace with technical advances from 1958 on.

Some forecasters contend that because industrial capacity is adequate for the present, the next few years will be a period of low capital investment. However, huge amounts of obsolete equipment are still in use. A McGraw-Hill survey of modernization needs estimates that only one-third of our metalworking equipment is 10 years old or less, yet the latest machine tools are about 40% more productive than 1948 models.

Excess capacity is a temporary condition that can change quickly. While the boiler industry is currently operating at 63% of capacity, the rush of utility business expected in late 1959 and early 1960 will exceed capacity. Some paper industry executives are preparing for a sustained upturn in the early 1960s. This means that with several years needed to build a new plant installation, new expansion must take place sooner than is generally realized.

The growing needs of an increasing population (estimated increase over 30 million in the next 10 years), the replacement of obsolete equipment, and the necessity to offset rising wage costs require a resumption of the upward trend in capital expenditures.

Inventories

The sharp liquidation of inventories which played a key role in triggering the recession has been reversed. Total business inventories **increased in November** from a seasonally adjusted total of $84.9 billion at the end of October, to $85.1 billion at the end of November. Although this is only a moderate increase, it is a significant milestone in the present recovery, for it represents **the first month since September, 1957** in which business as a whole reported a net accumulation of stocks rather than further liquidation. The increase of $200 million in inventories (on a seasonally adjusted basis) occurred wholly in the retail sector and was centered in the stocks of automobile dealers.

Manufacturing and wholesale inventories remained unchanged for the second straight month. This is encouraging at this phase of the recovery, because shipments against orders take a considerable time, and with consumption increasing, inventories tend to decline further. The rate of inventory accumulation will accelerate as the year progresses, and by the fourth quarter will probably reach the highest rate since 1951.

Manufacturers sales, on the other hand, have been **moving up steadily** since April, 1958 and climbed $400 million in both October and November, 1958, to a seasonally adjusted total of $27.6 billion. **Durable goods sales,** heretofore a laggard sector, provided most of the increase. Consequently, the ratio of inventories to sales has dropped from 1.6 times in August, 1957 to 1.5 in November, 1958. The decline in inventory-sales ratios appears even more favorable when the current upward trend in sales is considered, in contrast to last year when the trend was downward.

Business outlays for inventory constitute one of the most volatile types of spending in the economy. The shift from inventory accumulation at the annual rate of $1.3 billion in the third quarter of 1957 to liquidation at a $9.3 billion annual rate in the first quarter of 1958 accounted for slightly more than half of the $20 billion decline (in annual rate) of the Gross National Product in the same period. A resumption of inventory accumulation, which now appears imminent, could require an increase of more than 5% in the volume of industrial output, equivalent to about seven percentage points in the FRB Index of Industrial Production.

Industrial Production

Industrial production has recovered sharply from the recession low in April, 1958. In December, the Federal Reserve Index of Industrial Production rose 1 point to 142 (1947-1949=100), after a three point spurt in November. The December increase put the Federal Reserve Board's Index 16 points above the recession low of 126 in April, 1958, only 3 points below the pre-recession peak of 145 in August, 1957, and only 4 points below the all time high of 146 in December, 1956. The sharpest drop in output in the postwar period has been followed by the sharpest recovery.

The December level of production was only 1 point below the average of 143 for 1957, which was a record year. Notable characteristics of the present recovery are the uninterrupted upward trend and the speed of the recovery experienced since the low point was reached in April, 1958. In both the 1949 and 1954 recession there were periods of decline or saucering out, after the recovery began.

Most significantly, **the recovery has broadened.** Strength in consumer non-durables production, which established an all-time record high in November, was the feature of the recovery. The major influence **in the past two months,** however, was the drive forward in production of durables, chiefly automobiles.

Governmental Expenditures

Government spending, on Federal, State, and local levels has been instrumental in maintaining consumer income and spending at high rates, and providing the base for an expanding economy over the next 12 months. The $3.3 billion increase in Federal expenditures in fiscal 1958, was matched by the rise in State and local government purchases. In the last five years, State and local government spending has increased about $3 billion each year.

Federal expenditures in fiscal 1959 are budgeted at $94.1 billion, approximately $10.8 billion more than in the preceding year. This would produce a budgetary deficit of $13.2 billion, by far the largest in peacetime. Most of the deficit arises from increases in non-defense spending.

The government deficit is being financed by an expansion of bank credit. In the 12 months ending Oct. 29, 1958 bank credit expanded more than $10 billion or nearly 8%, although business activity was roughly the same as a year earlier.

Effective as it was in stemming the recession, the resulting massive budgetary deficit and the expectation of continued deficits have raised widespread **fears of future inflation.**

These fears were intensified by **the behavior of prices.** Both **wholesale and retail prices** were higher at the low point of the recession than at the preceding peak. If a recession fails to halt a rising price level, there is all the more reason to expect rising prices in periods of business expension. Only a few of the items in the Consumer Price Index are lower-priced now than they were a year ago. The Consumer Price Index increased almost 8% from the winter of 1956 to August, 1958. The Index then remained unchanged for three months. However, the uptrend was resumed by an increase of 0.2% in November.

Employment

Employment has not kept pace with the recovery in business activity. In some sectors, notably manufacturing, mining, and transportation industries, the improvement in employment is only about half-way back to the levels prior to the downturn. In durable goods manufacturing, hardest hit by the slump, the employment recovery has been only about 30%. Overall, the seasonally adjusted unemployment rate in November was 5.9%, a 10-month low. It was, however, still substantially above the year-ago level of 4.9%, and the pre-recession rate of 4-4½%.

In December, 1958, employment declined seasonally by 680,000 to 63,973,000. Unemployment in mid-December stood at 4,108,000, an increase of 275,000 over November. The drop in employment was far larger than the increase in unemployment because of the withdrawal of workers, such as older people, from the labor force, illustrating the effect of pensions in mitigating the impact of recessions.

The lag in employment is typical of the early stages of recovery, reflecting industry's success in improving efficiency. The clearest evidence that employment must improve, is the **lengthening work week;** in November, the work week was 39.9 hours, the longest since September, 1957. This, combined with higher wage rates has cushioned the impact of unemployment on the economy.

Factory worker's earnings are at record levels. An average worker with three children took home $78.41 per week in November compared with $77.43 in September, the previous high. In terms of buying power, this was an increase of more than 1.9%, to 122.5% of the 1947-49 average. This was a sharp increase from the 116% in April, when the first effects of recovery from the recession began to funnel more money into workers' pockets.

Corporate Profits

Corporate profits are **the brightest spot** in the generally favorable outlook for business over the next 12 months. Business is benefiting from recession cost-cutting and the huge postwar capital investment program. Sales are rising more rapidly than costs. Thus, profits are increasing, not only because of **rising sales,** but more importantly, because of **rising profit margins.**

In the first quarter of 1958, when the economy was in the final phase of contraction, **pre-tax profits** of U. S. corporations dropped to an annual rate of $31.7 billion. In the second quarter, when the economy was leveling out, profits edged up to only $32 billion. But in the third quarter, they rose to around $38 billion. Profits in the fourth quarter surged upward sharply. Some estimates put the annual rate at around $45 billion. Thus, current earnings are running at a rate close to the previous high of $45.5 billion registered in 1956.

All signs point to **higher corporate profits in 1959.** The U. S. Treasury, in revealing its plans for balancing the budget, estimates that corporate profits this year will be between $47 and $48 billion before taxes. These estimates appear conservative, as a number of Federal Reserve economists think that profits may soar to $50 billion. Our consulting economist projects a minimum of $52 billion pre-tax profits in 1959, hitting a $55 billion rate in the last quarter of the year. At any rate, all indications point to a **new record level of corporate profits in 1959.**

Trends in Key Industries

Steel Industry: Steel production hit a 15-month high in the second week of January, and is scheduled to rise further. So far, the greater part of the improvement can be traced to the end of hand-to-mouth buying, particularly by the automobile industry, and the faster tempo of industrial activity. Industry spokesmen expect further increases in steel demand, accelerating the recovery which got underway during the last half of 1958. Indicative of the industry's optimism is the 2.6% expansion of ingot-making facilities scheduled this year. Steel buying should increase steadily in the first half of 1959, as users build up inventories in anticipation of a steel strike in July creating a steel shortage. Even if there is no steel strike, users anticipate another increase in wages and in steel prices.

Automobile Industry: The nation's auto producers quickened their production pace last fall and current indications are that the industry is headed for the mild prosperity of a 5.5 million to 6.0 million-car year in 1959. This will nevertheless be a substantial recovery from 1958, when 4,241,000 passenger cars were produced, the lowest production since 1949. Since last year's production only just about equaled the scrappage rate, a backlog of deferred demand has accumulated. After prolonged liquidation, consumer instalment debt rose in November for the second consecutive month, reflecting higher automobile sales. Radical styling innovations have evoked considerable enthusiasm. With consumer debt at an historically low relation to disposable income and high liquid savings, consumers are now in a position to make important durable goods purchases which were deferred while the business outlook was uncertain.

Construction: The construction boom that began after World War II shows no sign of abating. Housing starts jumped to an adjusted annual rate of 1,430,000 in December, up 100,000 from the November rate and highest month on record except for that in December, 1954. Total housing starts for all 1958 were 1.2 million, highest since the record 1,328,000 in 1955. Significantly, housing starts lagged as 1958 opened, but gained momentum as the year progressed, and appear to be headed for new records in 1959, probably reaching a peak in mid-year, and declining slightly in the last half of the year if money becomes tighter.

The Department of Commerce estimates that spending for new construction in 1959 would cross $50 billion for the first time, to reach a record $52.3 billion. That would be a 7% increase above the $48.8 billion spent in 1958, also a record.

Many economists believe that the sustained rate of construction helped to cushion the impact of the recession. That is why the projection for 1959 is particularly encouraging, for it indicates that construction will continue to be a major support of the economy.

F. W. Dodge, whose figures are often on the conservative side, forecasts a rise of 3% in contract awards in 1959, over 1958. Even more encouraging, the largest increase is expected to occur in contracts for new factory buildings, indicating **resumption in the growth of capital expenditures.**

Electrical Industry: The electrical manufacturing industry expects to stage a strong comeback during 1959. The National Electrical Manufacturers Association looks for 1959 sales about 7% above 1958. All sectors of the industry are expected to participate in the improvement. Industrial apparatus should increase 7%, wire and cable, 8%, and electrical generation, transmission and distributing equipment, hard hit by the recession last year, look for a 2% increase.

The building boom is stimulating a surge in appliance business across a wide front — laundry equipment, dish washers, and built-in ranges.

The nation's use of electricity set a new record in the week ended Jan. 10 with an 8.4% gain in electric output over a year ago. Rising consumption of electricity implies continued growth for the equipment producers.

Paper Industry: The paper industry showed a good example of strength in the face of adversity in 1958. Due to a fairly strong recovery in the second half of 1958, the industry registered one of its better performances in production and sales. Output of 30.7 million tons in 1958 was second only to the record high of 31.4 million tons in 1956. The year witnessed a good deal of inventory liquidation in contrast to a year earlier, so that the supply position now favors increased buying by consumers.

The Federal Reserve Board's index of production for paper and allied products hit a new record of 170 (1947-49=100) in October 1958 (topping the pre-recession August, 1957 peak of 163. The Department of Commerce predicts that production of paper and paperboard in 1959 **will climb to a new high of 32 million tons.** This would be 4% above estimated 1958 production and 2% above the previous record set in 1956.

Petroleum Industry: The year 1958, was a period of adjustment for the American Oil Industry. It was a period of adjustment caused primarily by the over-stimulation of U. S. and Western Hemisphere production in late 1956, and early 1957, during the Suez Canal closing. In addition, operations were adversely affected by the recession in the first half of 1958, so that growth of demand did not materialize to the extent that had been expected. In 1958, domestic demand rose only 1.5% and total demand, including exports, is estimated to have declined 1.66%, the first drop since 1946.

Top oil men are predicting that the industry will **resume its historic growth rate in 1959,** that domestic demand for petroleum will be 3-5% higher this year, and that consumption in other free-world countries will rise by about 8%.

At the end of 1958, the industry's statistical position was much improved. Inventories of the four major products, gasoline, kerosene, distillate, and residual fuels were substantially lower than a year earlier.

For 1959, physical operations and prices are expected to show greater stability than in 1958. The outlook for the natural gas industry was vastly improved by a reversal of the Memphis Decision by the Supreme Court in favor of the industry. Higher oil and natural gas corporate profits should occur in 1959.

Summary of Business Outlook

Key business indicators surged upward as 1958 closed, continuing the strong recovery from the slump which began late in 1957. Despite the substantial progress to date, the business recovery is still young. Further growth in 1959 seems assured, because of expected increases in consumer spending, residential construction, and inventory accumulation. Studies of the National Bureau of Economic Research show that the expansion phase of the business cycle has lasted an average of 30 months in the past 24 recorded cycles. The shortest expansion was 10 months in 1921, and only 5 lasted less than 20 months. Thus, 19 out of 24 lasted over 20 months. The expansion of 1949-53 lasted 45 months, and that of 1954-57 lasted 36 months. On the basis of the 30-month average duration, we can look forward with confidence to 1959 and 1960, each of which years should set new all-time records in the economy. We do not expect the peak in economic activity to be reached until late in 1960, and perhaps even later.

Stock Market Outlook

It is our belief that 1958 witnessed the first year of a new bull market, and that the long-term trend of stock prices continues firmly upward. Temporary corrections probable in 1959, should provide favorable opportunities to purchase shares in companies in the vanguard of our economy's growth. New highs in the economy projected for 1959 and 1960, should lead to materially higher stock prices over the longer term.

Last year was unusual in that there were no substantial reactions as measured by the Dow-Jones Industrial Average. While this year's economic background is excellent, a repetition of the one-way 1958 market is unlikely. We expect the market may need to go through a period of consolidation sometime in 1959.

Current **price-earnings ratios,** contrary to popular belief, are not high when compared with similar recovery periods. At the present time, the Dow-Jones Industrial Average is selling at about 19 times earnings of the past year, but at only about 16 times earnings estimated for 1959. Looking back to 1935, when our economy was recovering from the depression, stocks sold at 18—21 times current earnings. In 1938, following a recession, stocks sold at 20-23 times current earnings.

These liberal evaluations of earnings occurred because investors forecasted higher earnings levels ahead.

Again, in 1958, investors were willing to pay high multiples of current earnings in the belief that new profit records lie ahead. We believe that these same expectations will be realized again in **1959.**

In the future, we expect common stocks to sell on a **higher price-earnings** ratio and **lower yield basis** than they did in the first postwar decade. There are several reasons for this:

(1) Growing realization of the **improved quality of common stocks** as an investment medium. This is supported by the relative mildness of the three postwar business recessions. We will continue to have business fluctuations, but investors have less fear, and rightfully so, of another serious depression like 1929-32. Another factor improving the quality of common stocks is the large cash flow from depreciation accruals.

(2) Growing realization of the **superiority of common stocks over fixed income securities as long-term investments.** Because common stocks constitute the residual ownership of corporations, they have two big advantages over fixed income senior securities:

(a) **A common stock offers participation in the growth of the company.** There is increasing recognition of the long-term growth potential of our economy based on growing population and increasing productivity. Common stocks have a built-in growth factor. When companies retain and plow back part of their earnings to finance their expansion, they add to their future earning potential.

(b) **Common stocks offer protection against inflation** by providing the opportunity to obtain more dollars of capital and income to offset loss of purchasing power of the dollar. Investors are beginning to realize the **probability of creeping inflation** continuing in our economy, based on two main causes:

(1) **The wage-price spiral** with annual increases in wage rates in excess of increases in productivity.

(2) **Chronic deficit financing** by the Federal Government. With social welfare expenditures and the need for defense spending, the Federal Government generally runs at a deficit. Furthermore, this deficit is usually financed by the banks and, therefore, ultimately adds to the money supply.

To summarize over the long-term, there is no doubt that **common stocks will continue to be a superior investment** to fixed income securities. The increasing attractiveness of common stocks relative to fixed income securities will tend to make common stocks sell on a higher price-earnings ratio and lower yield basis.

Investment Policy

I should next like to emphasize a few basic principles of investment policy.

The first principle has to do with **investment objectives.** I believe it is better to emphasize capital growth than current income, simply because the investor can make more money by so doing. He can **make more** before taxes, and he can **keep more** after taxes.

(1) **Pre-tax rate of return on capital** should be higher from capital gains, than from ordinary income, because for the same degree of risk, average annual price appreciation over a period of years should exceed by many times annual current income return. Of course, in any one year the investor can suffer depreciation, but over a period of years he should be way ahead. The longer the period, the greater the assurance of gain, and the greater the amount of gain. This is based on the growth possibilities in common stocks and the policy of growth companies of ploughing back a large part of earnings. Furthermore, earnings retained by the company avoid entirely the amount of income taxes to which stockholders would be subject if the earnings were paid out in dividends.

(2) **After-tax rate of return on capital** is higher for long-term capital gains than for ordinary income. Long-term capital gains are gains on stocks held over six months. Long-term capital gains have a big tax advantage over ordinary income. If your top tax bracket is under 50%, long-term capital gains are taxed at one-half of the rates on ordinary income. If your top tax backet is 50% or over, long-term capital gains are taxed at a maximum rate of 25%, which may be much less than one-half the rate of tax on ordinary income.

The second principle has to do with **investment programming.** It is based on one of the most important concepts in investment, namely, the **probability of the continued long-term uptrend** in stock prices, based on growth of the economy and creeping inflation. Thus, common stocks are a better long-term investment than fixed income securities, and accordingly, individual investors who accept the long-term view, should devote the bulk of their capital to common stock investment.

The third important investment principle has to do with **investment timing.** The non-professional investor should stay fully invested all the time, and not try to guess market cycles so as to side-step market declines. (A corollary of this is that the non-professional investor should never go short.) This is in harmony with the previously stated concept of the long-term uptrend of stock prices. If you are bullish and stay fully invested, the odds are all in your favor, since stocks go up over 75% of the time and they go up more than they go down. The investor should belong to what I call "The Sitting Bull Club." With this philosophy, you expect to ride through market corrections, knowing that they are temporary, and most important, you keep your perspective and take advantage of market sell-offs as long-term buying opportunities for any new money available. Likewise, the investor should not be fearful when stock prices advance into new high territory, as a new peak in the market should be considered merely as another milestone in the long-term upward trend, reflecting a growing economy and creeping inflation.

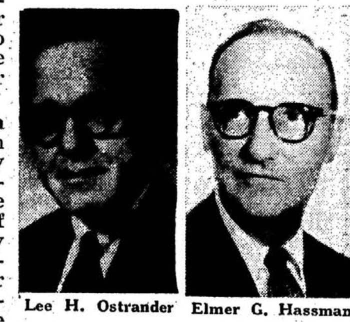
Joins First Southern

(Special to The Financial Chronicle)

ATLANTA, Ga. — William J. Arnold Jr. has joined the staff of First Southern Corporation, 70 Fairlie Street, Northwest.

Chicago Bond Club 48th Annual Meeting

CHICAGO, Ill.—The 48th Annual Meeting of the Bond Club of Chicago will be held at the University Club of Chicago on Thursday, Feb. 19, 1959.



Lee H. Ostrander Elmer G. Hassman

Cocktails will be served at 6:00 p.m. in College Hall, followed by dinner at 7:15 p.m. at Cathedral Hall.

The Nominating Committee, Andrew M. Baird, A. G. Becker & Co., Incorporated, Chairman; Paul L. Mullaney, Mullaney, Wells & Company; Richard W. Simmons, Blunt Ellis & Simmons, has proposed the following officers and directors for the coming year:

President — Lee H. Ostrander, William Blair & Co.

Secretary—Elmer G. Hassman, A. G. Becker & Co., Incorporated.

Treasurer—Charles F. Glore, Jr., Glore, Forgan & Co.

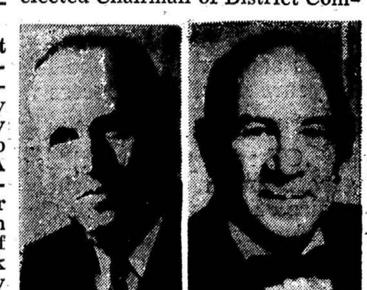
For directors, the above and: F. Newell Childs, C. F. Childs & Co.; Fred W. Fairman, Bache & Co.; Homer P. Hargrave, Merrill Lynch, Pierce, Fenner & Smith, Inc.; Robert I. Kelley, Harriman Ripley & Co. Incorporated; H. Gerald Nordberg, Dean Witter & Co.; George R. Torrey, McCormick & Co.

The Club will furnish facilities for those wishing to play cards after dinner.

Reservations should be made with George R. Torrey, McCormick & Co.

NASD District No. 1 Elects Officers

SEATTLE, Wash.—Robert E. Daniel, Executive Vice-President, Pacific Northwest Co., Seattle, was elected Chairman of District Committee No. 1 of the NASD. He succeeds Samuel S. Whittemore of Pacific Northwest, Spokane. Harold L. Temple, Vice-President, Campbell & Robbins, Inc., Portland, Ore., was elected Vice-Chairman. The district comprises the States of Idaho, Montana, North Dakota, Oregon, South Dakota and Washington.



Robert E. Daniel Harold L. Temple

Eugene R. Gibson, with the NASD office in Seattle, is Secretary of the District. The Association has reclassified its districts. Until the change, Idaho, Oregon and Washington were Dist. No. 1.

Columbine Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Ronald Bertoncel, William G. Cox, Jessie A. Morrison, Paul D. Sybrant and Joseph Ullmer have been added to the staff of Columbine Securities Corporation, 621 Seventeenth Street.

Continued from first page

As We See It

to current discussion. Yet intelligent and meaningful discussion would appear to depend upon clearing up this preliminary conceptual ground.

The Essential Components

The statistic most commonly used to measure "the economy" and its growth is what is known as Gross National Product stated in "constant dollars." That is to say the total annual output of all goods and services at market value adjusted to eliminate changes in costs and prices. It is this figure that has of late been much employed by political critics of the Administration, and by some others, who have applied it to a number of recent years and come up with the 2% figure which suited Mr. Khrushchev's purposes so well. A moment of reflection will make it clear that such a figure is made up of two components, productive capacity and the rate at which that capacity is utilized in any particular time period. Now, in any free society, the rate of utilization of capacity is constantly varying, sometimes more fully utilized and sometimes less fully so. These ups and downs of business are what have now become formalized as "business cycles."

An obvious corollary is that the rate of change in Gross National Product over short periods of time should not be confused with "growth." Another is that growth as thus defined has never been anywhere near constant from year to year in any free country. The long-term growth rate is to be found—if it is to be found at all by employment of such a figure—by ignoring these short-term waves of activity, and measuring the upward trend over long stretches of time. It is fairly well agreed among those who have made special studies of the question that 3% reasonably well represents the growth in total production on the average for as long a period as statistics are available for measuring it.

The Pendulum Constantly Varies

But there are a number of time periods when our total output of goods and services "in real terms" rose at a pace to make even Mr. Khrushchev gasp and stare, and some of these periods have lasted more than a year or two. There have been numerous other intervals when we have actually lost ground—that is when we have produced less each year for a number of years, when our rate of growth, according to current modes of measuring it, was negative. Again, rate of growth of productive output when measured in terms of percentages is very likely to be greater in the earlier years of industrialization when the base on which the percentage is computed is much smaller than it will be in later years when much larger actual amounts of growth are required even to hold the percentage figures constant. Straining now on our part—and quite possibly on Mr. Khrushchev's part—to attain an abnormally high rate of advance during the next several years could very well be followed inevitably by a period of years in which progress was very much retarded.

Production of Itself Not the Answer

Other aspects of this general subject are of even greater need of more thorough understanding and appraisal. Since the statistic Gross National Product concerns itself only with production reflected in the markets of the country—omitting or ignoring all those things one does for oneself—the figures as published do not include all the production of goods and services, and the amount of such production not included probably has increased substantially with the do-it-yourself developments of late years. It is also quite possible for this figure to increase when there has been no increase in total production. But such technical matters as these are far less important than the question of what is being produced. A very large total output of goods and services would have very little meaning unless the goods and services are the things wanted or needed in the circumstances. Even capacity figures lose much of their significance if it is capacity to produce things which have little or no value.

Let no one suppose that this stricture is academic. If it is only a rapid rise in Gross National Product during the next seven years that is wanted, the quickest and the surest way of accomplishing might well be to grant large subsidies to our farmers to produce all sorts of products on their farms. Our capacity to produce such goods has risen enormously in recent years. There can be little doubt that output could be drastically increased almost at once. But to what purpose? The current figure for Gross National Product already includes output of vast quantities of farm products which can not be sold, and indeed hardly given away. Real progress would entail a greater output of goods and services other than farm products—sufficiently great to offset a very substantial decline in farm output. And, of course, it is evident enough to all who are familiar with what is going on in Washington that a very substantial part of our annual Gross National Product consists of salary payments for services which are really not needed.

Russia vs. United States

If Russia has not yet encountered such difficulties as these in the same degree that we have, it is simply because the need is so great there for so many different types of goods and services that the people are grateful for any sort of favor. Discretionary spending or the opportunity for it is all but non-existent. It is conceivable, we suppose, that the Russian people can always be told to want what they are offered and nothing else, but time only can test such a conclusion. Farm or other kinds of surpluses may one day there exist alongside shortages in other areas.

In any event, let us pause to consider what "growth of the economy" means or should mean and to cultivate a wholesome skepticism about much that is being currently said on the subject.

Continued from page 5

The Coming Electronic World And Benefits from Research

set up a chart with "time" running along the horizontal side, and the extent of technological change on the vertical axis. The plotted line would run along the bottom of the chart for century after century, and then when you reached the 19th Century it would begin to climb ever so slightly, and then as it passed the 1900 mark, it would turn upward some more, and by 1957, the curve would be shooting ahead almost vertically. Today, progress is moving ahead "exponentially"; it is progress **times** progress, not progress **plus** progress.

In the 1920's, there were probably 75 or 100 industrial laboratories at the most, but today more than 4,000 companies throughout the country have their own research facilities; their personnel total more than 500,000, and more than 100,000 of their personnel are scientists. That's where that "progress times progress" is coming from.

Increasing Rate of Research

Would you like to hazard a guess as to what this enormous research and development effort costs? Industry's own research and development work costs at least $8 billion or a little less than 2% of our Gross National Product, and that does not include government or university projects. Based on past experience, in 10 years it will cost twice that much, or at least $14 billion, and probably more because **it is increasing at the rate of at least 10% a year.**

It has been estimated that about 95% of that $8 billion for industry as a whole goes into exploiting previous scientific breakthroughs, and that the remainder goes into digging out new knowledge, new fundamental information, upon which the breakthroughs of the future will be based. The 95% led to the antibiotics, radar, television, the computer, and so on. And the 5% was directed toward exploring such broad areas as the atom, the forces of the universe, and the various fundamentals of that entire process which we call so simply "life."

Is there any way we can measure more tangibly the enormous benefits all of us get from research? What does society get back, in dollars and cents, from its investment in research—why should my company or your company spend millions of dollars on research and development? The National Science Foundation came up with this amazing answer: Over the past 25 years, research expenditures have paid off at the rate of from 100% to 200% each year. For every $100 spent on research and development, the return over a 25 year period has been from $2,500 to $5,000. Think of it: a 100% to 200% return annually. In relation to our Gross National Product, the Foundation estimates that research has probably contributed at least .5% and more likely 1% or more of the long-term productivity increase of 2.1% per year, and that the research conducted from 1928 to 1953 contributed from $40 billion to $80 billion of the 1953 Gross National Product of $365 billion.

But how long does it take to get tangible benefit from research? The general opinion throughout industry is that the average time lag from the initiation of some new project in the laboratory to the time that a new or substantially improved product appears at the market place is 10 years. I am not talking about a refinement here and there, or even a major improvement; I mean something basically new—such as power steering, or television, or the heat pump, or electroluminescent lighting, or dacron, or the electric refrigerator, or the fluorescent lamp. The actual time lag may be seven or eight years in the case of one development or it may be 12 in the case of another, but the average always seems to work out to about 10.

Research Takes Time

If I were planning a new research project, however, I would ignore that 10-year span. The important thing to bear in mind is not some average, but rather that **research takes time.** From the standpoint of management, that means you have to adopt what I would like to call a reasonable degree of **impatience** . . . and reduce that time lag to an absolute minimum. Every engineer knows that the completely understandable tendency is to keep that new development in the laboratory until you know it will work perfectly, and at the other end of the line is the salesman on the firing line who wants something better than his competition, and wants it **right now,** and not next August.

From a practical standpoint, if you wait until a given product will do everything you dreamed it might do, you'll **never** introduce it. Because if it works perfectly in every respect, it's already obsolete, and you'll be like the man who in 1957 finally developed the perfect "one-hoss shay." So what you end up doing is introducing a product that does something its predecessor could not do, or does the same thing better, and is competitive in price. It's a case of introducing significant and helpful improvements and innovations at the appropriate time from the standpoint of the benefits to the company as a whole, and not one part of it. Each one of these improvements and innovations will add up over the years to a rather startling change over the comparable product of 10 years ago.

Research and development, and the introduction of the fruits of that research and development, is a continuing, day-after-day, business-like process. You can't turn it on or off at the slightest provocation or at the slightest dip in the economic picture. The best analogy I can think of is the hearth furnace — keeping those forces going is vital to that steel mill, and if you turn them off, you ruin the furnace and it will cost immeasurable amounts of man-hours, and money, and lost competitive position before you get the mill running again. So it is with research.

Only 10% Materializes

But the sweat and the toil are worth it, provided you don't expect miracles. I want to make an especially important point of that. Management cannot expect its laboratories to do the impossible, and you have to resign yourself to the fact that a remarkably small percentage of the reseach projects ever go into production. The payoff is in the small percentage that do. I would hazard a guess that as much as 90% of my company's research ideas don't pan out, but that remaining 10% justifies the entire cost, and many times over. Putting research on a crash-program basis may work sometimes in certain military programs or in relatively narrow product areas, but you can't order a man to sit down at a laboratory table and develop a cancer vaccine or flat-wall television by next April.

Effective and productive research comes from a climate that is hard to identify and hard to define. It is an extremely skillful blend of intellectual freedom and a sense of direction. There have been exceptions, of course, but a laboratory cannot be a "never-never land" where everyone does as he pleases and takes off on the tangent which may intrigue him. Nor can the laboratory be an intellectual prison where independent thought is inhibited and everything sharply directionalized. The practical answer lies in between, and finding that answer takes every bit of management skill available to you.

The industry with the largest expenditures for research and development is the electrical industry, which spends more than $200 million of its own money annually, plus another $600 million of government - sponsored projects which are almost entirely in National Defense. The industry-sponsored projects are spread across a range of products that is not even closely rivalled by any other. But I must make due allowance for my prejudice, and give due recognition to the aviation industry, to chemicals and their many allied products, to petroleum, and to communications. The point is, however, that the forerunners in the field of research today are not the Johnny-come-latelys, but are established industries that realized their futures depended upon the skill, the speed, and the continuity with which they developed new ideas and new ways of doing things.

If you were to interview a cross-section of these leading companies, you would find that, from 50% to 75% of their sales today are derived from products which did not exist 15 years ago.

Does a progressive management need any more proof than that?

As far as electronics is concerned, research will produce not only that broader concept of communication that I mentioned before but there will be such accomplishments as radar steering of automobiles, anti-collision devices, electronically - activated brakes, and so on. In the home, electronics will broaden electroluminescence lighting to the point where entire walls and ceilings will light up—and your television, radio, telephone, and inter-com systems will be linked together into one system. Your house will be heated electronically, and electricity will be conducted not through wires but by electronics —and extension cords and outlets will be a thing of the past. There will be machines that will type spoken words directly on paper, and other machines that will translate foreign languages as fast as they are spoken. There will be light magnifying devices to see in the dark, tiny radio telephones for your pocket.

Now what will this mean in dollars and cents to the electronics industry? Our industry's sales and revenues will grow from its present annual total of $13 billion to more than double that amount in less than 10 years . . . . probably by 1966 or 1967. And plenty of that increase will be born in the Mid-West.

* * *

In closing, I would like to make a few amends. I hope I didn't sound too materialistic—talking about electronic inventions, and automation, and obsolescence. But down deep, behind those comments, I have a basic conviction I want to tell you about. When you look at any technological or economic trends, we shouldn't lose sight of the fact that progress is man-made. An electronic computer is an amazing thing—but man designed it, man built it, and man thinks for it. An X-ray machine is a remarkable device—but a man developed it, a man uses it, and other men are helped by it.

In the final analysis, we have been talking about the needs of people, and the ability of other people to meet those needs. In this wonderfully progressive part of the country, I know the opportunities are many, and I want to wish all of you the very best of success in taking full advantage of them.

Arthur W. Parker With David A. Noyes & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Arthur W. Parker has become associated with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Parker was formerly with Fahnestock & Co. and E. F. Hutton & Company.

Arthur W. Parker

Pierce & Drown Formed

PITTSBURGH, Pa. — Pierce & Drown has been formed with offices at 208 Tennyson Avenue to conduct a securities business. Partners are Harry H. Pierce and Elmer L. Drown. Mr. Drown was formerly with First Investors Corporation and C. J. Stubner & Co.

Public Utility Securities

By OWEN ELY

Sierra Pacific Power Company

Sierra Pacific Power supplies electricity to Reno, Sparks, Carson City and adjacent sections containing about one-half the population of Nevada, and also to Portola and the Lake Tahoe District in California. About 86% of revenues are obtained in Nevada and 14% in California. Reno, noted for divorce activities, is also the center of a farming and cattle country. Mining and lumber are the principal area industries, while resort and recreation activities are also important. Big industrial customers are Anaconda and U. S. Gypsum.

Nevada is said to be the fastest growing State, although the relatively small population makes this of less significance. Population served by the company grew 41% in the three years ended 1957. The company should benefit a year from now by the Winter Olympics to be held in Squaw Valley. An estimated $17 million is being expended for a big arena, ski-jumps, rinks, roads, etc. A residential development is also under way in the Valley and the project may develop into a rival of Sun Valley and other winter sports resorts. The U. S. Air Force is building a new $5 million Radar Brain Center near Reno.

Electricity contributes about 79% of revenues, water 9% and gas 12%.

The electric system, interconnected throughout, extends northeastward to Battle Mountain, and to the north 65 miles to Gerlach to serve that town at wholesale and deliver electricity to a large mining customer; also south to Yerington to serve Anaconda Copper. Average residential usage is about 4,930 kwh, substantially above the national average; revenues average only about 2.27¢ per kwh, well below the industry average.

The company has five hydro stations with a capability of about 10,000 kw. These generate about 16% of electric requirements, most of the remainder being purchased from Pacific Gas & Electric. The latter company has had a long legal battle with Sierra Pacific over a proposed increase of about 29% in the cost of power. The rate case was terminated by the FPC in 1957, the higher rates charged by PG&E being disallowed. In February, 1958 the case was dismissed by a Federal court. In June, 1958 an action was still pending to recover $339,903 which Sierra contends PG&E still owes it.

The gas segment of the business has grown very rapidly, revenues nearly doubling in the period 1953-7. This growth has been due largely to the increase in househeating. About 64% of customers now have gas-heating installations (nearly all installed since 1947) and some 74% of new homes use gas heat.

As shown in the table below, the company's revenues have increased from $4.35 million in 1949 to $10.7 million; during the same period net income has increased nearly 150%. However, the company has had the dual problem of raising its equity ratio from less than 24% in 1950 to the current level around 30%, while also financing rapid growth. Accordingly, the number of shares outstanding has increased from 503,000 (after adjusting for a 2-for-1 split in 1955) to the current 746,000, a gain of nearly one-half, and share earnings have increased only about 90%.

With a dilution of over 3% due to the sale of stock last April, earnings for 1958 were $1.94, a penny more than the previous year. Selling recently around 35 over-counter and paying $1.40, Sierra Pacific Power yields 4%. The price reflects a PE-ratio of 18, somewhat under the industry average of 18.4.

	Revenues	Common Stock Record		
Year	(Million)	Earned	Paid	Approx. Range
1958	$10.8	$1.94	$1.40*	32 -23½
1957	10.0	1.93	1.20	24 -19½
1956	9.3	1.83	1.18	25 -20½
1955	8.5	1.42	1.03	24 -18
1954	7.6	1.22	1.00	18 -16
1953	6.6	1.32	0.85	16 -12½
1952	5.9	1.19	0.80	13 -11½
1951	5.2	0.97	0.80	12½-10½
1950	4.8	0.97	0.80	12½-10½
1949	4.4	1.03	0.80	12 -10½

*Present rate.

FHLB Notes on Market

Public offering of $222,000,000 Federal Home Loan Banks 3⅜% series E-1959 noncallable consolidated notes dated Feb. 16, 1959 and due Aug. 17, 1959 was made yesterday (Feb. 4) by the Federal Home Loan Board through Everett Smith, fiscal agent of the Banks, and a group of securities dealers. The notes are priced at 100%.

Part of the proceeds from the offering will be used to retire $116,000,000 notes on their maturity on Feb. 16. The balance of the proceeds will provide the Banks with additional funds for advances to members of the Home Loan Bank system to meet demand for mortgage money.

Upon completion of the financing outstanding indebtedness of the Banks will amount to $740,-235,000.

J. A. Marinos Opens

John A. Marinos is engaging in a securities business from offices at 2528 Broadway, New York City.

Forms Haber Inv. Secs.

BROOKLYN, N. Y. — Jack H. Haber is engaging in a securities business from offices at 2242 Braggs Street, under the firm name of J. H. Haber Investment Securities.

T. W. Henderson Opens

(Special to THE FINANCIAL CHRONICLE)

NEWPORT BEACH, Calif. — Thomas W. Henderson is conducting a securities business from offices at 308 West 30th Street.

Forms La Mont Secs.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert La Montagne is engaging in a securities business from offices at 20 East Jackson Boulevard under the firm name of La Mont Securities.

With Andersen, Randolph

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — James W. Malone has been added to the staff of Andersen, Randolph & Co., Inc., 818 Seventeenth Street.

Hooper Heads Division In Red Cross Drive

Eugene S. Hooper, President of Manufacturers Trust Co., has accepted appointment as Chairman of the Finance Section of the New York Red Cross Chapter's 1959 Campaign, it has been announced by Don G. Mitchell, Campaign Commerce and Industry Chairman.

Mr. Mitchell, Chairman of Sylvania Electric Products Inc., said Mr. Hooper will direct more than 30 committees that will seek Red Cross support in the investment, banking, insurance, law and accounting fields in Manhattan.

Mr. Hooper named Bradford A. Warner, Vice-President of the Manufacturers Trust Co., as his deputy for the campaign.

Opening March 1, the appeal for members and funds is part of a national drive to obtain gifts totaling $95,000,000 to enable the Red Cross to carry on its tasks in the next 12 months. New York City has been asked to raise $6,-000,000 to meet Red Cross needs in the city and its share of the national requirement.

J. L. Eisner Opens

(Special to THE FINANCIAL CHRONICLE)

LAWRENCEVILLE, Ill. — John L. Eisner is engaging in a securities business from offices in the Gee Building.

F. A. Merlau Opens

ROCHESTER, N. Y.—Frederic A. Merlau has opened offices at 123 East Avenue to engage in a securities business.

Continued from page 3

The Challenge to the Dollar

for a number of others, particularly in Europe, the dollar shortage has become a thing of the past. Such countries no longer have a pressing need to build up balances in the United States. On the contrary, if they are to retain the balances already here, if they are not to convert them into gold, they must stay convinced that the dollar will indeed *continue* to be as good as gold.

So here we come to the heart of the matter: the dollar must be kept strong and respected in every country of the world. For if it ever proves otherwise, if the dollar ever begins to be questioned and a feeling generated that the United States cannot properly manage its affairs, then our nation, indeed the whole free world, will find itself in deep trouble.

We clearly are not in deep trouble at the moment. But this does not mean we should wait and act only when trouble becomes acute. Certainly we should not wait for any real crisis to develop. The fact of the gold flow, the fact that questions are being raised about the future of the dollar — these are warning signs which it would be folly to ignore. What are the fears in the minds of our friends abroad? What are the dangers which we Americans must guard against? I think they can be boiled down to these:

Dangers to Ward Off

First, there is concern that the United States is pricing itself out of foreign markets—that it cannot achieve the level of exports necessary to prevent a continuing outflow of gold.

Secondly, and related to the first, there is fear that we may lack the necessary discipline to keep our costs and prices under control—in other words, to avoid inflation.

And thirdly, I might add, there is concern that our country may be in the process of scrapping some of the fundamental principles which in the past have made it strong—that we may be foregoing our reliance on free enterprise and individual initiative in order to take the easy road of government action and subsidy.

I want to say just a few words about each of these dangers. It certainly would do us no good to deny that we are encountering difficulties in some export markets. I have mentioned earlier the rather sharp decline in shipments abroad this past year. Some of this reduction, it is true, is due to cutbacks in demand. In Europe business is now experiencing a moderate letdown in activity — very much like ours of a year ago. And some of the raw material areas, like South America and Africa, are suffering from lower prices. Yet the fact still remains that American exports are holding up less well, relatively, than those of many nations including Germany, Britain, and Japan. Moreover, we have testimony from a number of our producers that they no longer can match foreign firms when it comes to prices on a wide range of items. Producers of electrical equipment tell us their counterparts in Britain or Switzerland can build a generator for considerably less than it can be produced here. We used to be exporters of all kinds of copper products, but now we are importers. Or take the story Roger Blough tells about the industrious Japanese who buy scrap metal in California, haul it back to their mills in the Orient, manufacture it into finished products, and ship it back across the wide Pacific to undersell American producers by such wide margins as $29 a ton on reinforcing bars. We can hardly compete in Latin America when foreign producers undersell us in our own front yard.

Then turn to still a different sector of our economy—agriculture. Almost from the founding of our country the United States has been known as the world's primary source of supply for certain farm staples, especially cotton and tobacco. Prior to World War II our country provided nearly 40% of all cotton that entered into world trade. By the early 'fifties, after two decades of inflating farm prices, we furnished only one-fourth of foreign shipments. Meanwhile, stocks began to mount sky-high in our warehouses. So what did we do? Did we try to make ourselves truly competitive in the world's cotton market? Not in the least. Our Government said that it would compete, but only on the artificial basis of a subsidy. This season it is estimated our exporters will ship abroad some 4 million bales by selling cotton at an average around 28½c a pound, almost a fifth below the domestic price. The same technique of course was employed to dispose of wheat, rice, and other products in world markets. Truly this is one of those situations that might even have seemed strange to Alice traveling in Wonderland!

Not All Our Fault

Now I don't want to imply that all of our problems in export markets are of our own making—that we can't compete on any range of items. That just isn't true. After all, we *are* shipping abroad some $17 billion of goods a year—more than any other single nation. The trouble is that $17 billion just isn't enough to balance our accounts, and we have to put ourselves in a position to expand the volume. Right here I ought to say that in some areas of the world—and it is particularly true of Europe—American shippers face tariffs, quotas and other obstacles that are not confronted by other nations. Indeed, some of these obstacles are designed specifically to exclude United States products, and except for liberalization by Germany and by France on raw material quotas, the recent moves toward currency convertibility in Europe didn't affect them.

Take the case of automobiles. Foreign cars are having quite a vogue here in America. We even lowered the tariff on them recently from 10% to 8½%. But what about American cars abroad? True, their price has gone up and they cost more. I want to add a word about that trend later. But in countries like Britain, Italy and France, a buyer can hardly get an American car if he wants to.

Ernest Breech recently cited the case of a 1959 Ford Fairlane, which carries a price here in California of about $3,400, including taxes. Mr. Breech points out that "in France, the delivered price of that car is about $8,200. It includes no less than $3,200 of duties. In Italy the car would cost $5,800, with a penalty of $1,400. And in England the price would be about $8,000, with the penalty composed of a 30% duty.

"Moreover, as if this were not enough, imports are further limited by severe quotas and other devices. Thus France admits only a relatively few cars from outside the European Common Market, the United Kingdom presently restricts imports from the United States and Canada to 650 automobiles per year, and Italy admits only a few hundred American cars."

One could go on and read off a long list of other products, from refrigerators to machinery to chemicals, that face similar obstacles. On some of these our producers might not be able to compete, even if the barriers were down. But on others—particularly specialized products — we undoubtedly could.

Initially, of course, there were good reasons for these discriminating barriers. Europe had been torn by war, its industry was badly hurt, and it was woefully short of dollars. But these circumstances are a thing of the past.

The time has come for most European countries to stop singling out United States products for special treatment. They should move to eliminate discriminating quotas and other devices, so that we are allowed to compete as best we can, on the same terms as other suppliers.

I wish I could say that this were all that would be needed to solve our problems. But unfortunately it isn't. There are other deeper, highly significant trends, to which we ourselves hold the key, and which also have an impact on our position in world markets. One of these goes back to the whole vital matter of prices, and the persistent tendency toward inflationary pressure here in the United States; and another, not unrelated to this, is the growing inclination to turn to government whenever the going gets tough.

Concerned About Price Inflation

No producer can expect to hold on to his market if prices are pushed incessantly higher. And yet that has been the rather unhappy record for a number of items over the past few years. Since 1955, at least, prices have risen more in the United States than in either Germany or Japan, and this in spite of the fact that the Federal Reserve System did all that it could to stem the advance.

Now we don't have to look very far to find the major source of this pressure on prices. It comes from rising costs—and the chief item on the list is labor costs. The story is too familiar to need retelling. Many have lived through it: the wage increases that far outrun any gains in productivity; job featherbedding, which is uneconomic and indeed morally indefensible; and still other labor practices which interfere with the process of passing savings on to the consumer. Most of us could cite chapter and verse, and the pity of it is that the leaders who take this path really do a disservice to every citizen individually and the nation as a whole.

Let me cite a story as one hears it told abroad—the pattern of the future as some of the foreign seers profess to see it. It goes like this. "The United States lacks the internal discipline (or should I say fortitude) to control its costs. Prices are bound to rise. As a result U. S. producers will continue to lose out in world markets even if other countries quit discriminating against them, and the adverse balance of payments will remain. The gold flow will persist, and at some point, as the holders of dollars become concerned, the flow will turn into a torrent. The United States will then be faced with the necessity to devalue the dollar." That, in essence, is what some of our foreign critics are saying.

Now I don't think for a moment that any such pattern of events will take place, and the consensus of informed economists is that it will not happen. But it would be foolish for us to hide our heads in the sands and conclude that it would never come to pass. At all costs, we have to guard the integrity of the dollar, and that means that we all have to work to curb the forces that could weaken it. You may have heard the old saying "God save the Queen, but only the English people can save the pound." Well, only the American people can keep the dollar sound.

Practicing What We Preach

This means, too, that we have to remove the pressure on prices that could arise from a continuing Government deficit. Here we are, running a $12 billion annual deficit at a time of mounting prosperity. We quite rightly give help to many other countries that need it, working through a variety of agencies to do so. The Monetary Fund and the World Bank, in providing such help, rightly insist that recipient nations balance their fiscal budgets, as well as their payments with other countries. Then we turn around and do the opposite ourselves.

It just won't work. No nation, any more than any family, can long exist if it tries to run counter to the fundamental laws that guide economic life. We, too, must bring our public expenditures under better control and balance our dollar outgo with income.

Asks We Back the President

The President has made it unmistakably clear that this is his policy, that he aims for a balanced budget. Now it is up to us, the American people, to tell him and Congress clearly and without equivocation that we are back of him one hundred per cent—that we strongly urge a cut in expenditures.

There is no doubt in my mind that if we tackle this problem with vigor and determination we can lick it. It is not enough for trade associations, business clubs and other civic organizations to send resolutions to Congress, though of course, these actions are good in themselves. In the final analysis it comes right down to the individual. What do you and I do about it? Do we make ourselves heard? Do we take the time and make the effort to express our opinions plainly and vigorously to those who represent us in the Federal Government? (And state and local governments, too, for that matter.)

And when we talk about cutting expenses, we should make it known that we mean the nonessentials, and not vital items like defense and essential foreign aid. When it comes to defense, an establishment that is second to none is vital. Nothing is more perilous or useless than a second-best defense. And related to this is our foreign aid. I don't mean aid to countries that are piling up dollar balances—any aid to them, including the military, ought to be re-examined, and indeed it now is being re-examined. I mean aid to countries that really need it: countries in Asia, the Middle East, or other areas that may go under without it.

Can't Blame the Cold War

I realize it has been fashionable to blame the national deficit on the need for huge defense and foreign aid expenditures. Yet I wonder how many of our citizens appreciate that of the $7 billion increase in Government expenditures this year, none flows to foreign aid and only $1.7 billion represents an increase in defense outlays. Where does the remainder go? Well, $2.4 billion (the largest single increase) is going to the farmer; $1 billion is going for housing; about $400 million has been earmarked for added unemployment benefits; and the remainder of the increase is scattered among other beneficiaries. It is significant that a sizable portion of these outlays involves a subsidy to one group or another. I am afraid that it is fast becoming a habit in our country to regard Washington as a highly convenient storm cellar — a place for one and all to run to at the first sign of disturbance. Unfortunately, this is too often true of business as well as other groups, with subsidies flowing to such diverse fields as housing, shipping, aviation, and now to the whole area of small business.

But probably no area receives as heavy a subsidy today as does agriculture. Almost one-fifth of all cash income for farming (close to $7 billion) flows from the Federal Government. Moreover, this farm subsidy has a double meaning in terms of our international position. Not only is it a major contributor to the unbalanced budget, and hence to the concern about inflation, but it also acts to price us directly out of important world markets. I have already mentioned the gap that exists between the world price and our own domestic price for such crops as wheat, rice and cotton. The truth is that the farm program of our Government, now almost a quarter century old, effectively deprives the United States and the world of some of our most productive resources.

For I'm completely convinced that if farming were permitted to develop unhindered in America, we could produce many staples here more cheaply than anywhere else, and all to the benefit of peoples everywhere.

I am sure that all who are familiar with the cotton situation in California would agree with me. But perhaps an even more dramatic example is to be found in the case of rice. Experts tell me that if the controls were to be removed from rice output, modern methods would make it possible to produce rice more cheaply in the South than in the Orient—and this in spite of the fact that the laborer in the Orient earns only 20c a day.

Clearly there is something wrong with a program that blocks this kind of efficiency, and spends $7 billion in the process of doing it. The underlying truth may be that in exports the United States may find itself heading toward a growing advantage in farm products, even as compared with many manufacturers. We cannot ignore the fact that in the postwar period, productivity in farming has been increasing by 6% or more a year, while that in manufacturing has grown a bit less than 3% on the average. In such circumstances it should be natural for us to place increased emphasis on the export of farm items. That is a main reason why our farm program needs to be revised and brought into harmony with the facts of the Mid-Twentieth Century.

In farming, as in industry, we need to return to some of the basic principles that did so much to encourage the growth of our country in its most formative years: a reliance on our own individual enterprise, encouraged by enlightened self-interest, and making full use of the market place, of the normal forces of supply and demand, to direct our efforts.

Think of all the advantages we start with: a level of education, know-how, and productivity that is greater than anywhere else in the world; an industrial plant and capacity that can't be matched in any other country; and an eagerness and willingness to learn, backed by research and scientific inquiry on an unprecedented scale. These are advantages that give us a head start on all other nations. But we have to make full use of them. You have heard the saying, "The world is full of willing people; some willing to work, the rest willing to let them work." We have to disprove that saying. We can't featherbed; if anything we have to work harder and longer, make better products and relax less in the suburbs — and that applies to bankers, as well as to everyone else!

We Continue to Be at War

The fact is (and too often it's overlooked), we continue to be at war—a war not of our own choosing, but still all-embracing. It is a war for men's minds and men's souls, with active battles being fought on the political, ideological and economic fronts, while the military position holds at a stalemate. Consider again those words of Khrushchev.

"We declare war on you . . . in the peaceful field of trade. We declare war. We will win over the United States. The threat to the United States is not the ICBM, but in the field of peaceful production. We are relentless in this and it will prove the superiority of our system." And later, "We value trade least for economic reasons and most for political reasons."

Is it any accident, then, that the Russians in the past year have begun a trade drive in the West? That they have sold tin, aluminum, asbestos and other products at cut-rate prices?

That they seek to become the suppliers of oil to Latin America? Or to tie Egypt and Syria to their orbit through loans and the iron bands of trade? Or is it any accident, on the other side of the globe, that Communist China has begun to undercut the Japanese in markets of Southeast Asia?

The answer is, of course, that it is no accident; and this economic war promises to affect the lives of all of us. And yet I am sure that none of us has any doubt as to the outcome. Our nation is manned by a people of great resourcefulness and proven strength. When confronted by large problems and issues in the past, they have displayed remarkably good judgment. There is no reason why the future should be any exception.

The future will be what we make it. There are encouraging signs that we are beginning to recognize and face up to our problems. On all sides one hears of a growth in productivity, of a striving to get costs under better control. And the President, with his inspiring leadership, has pointed to the road that can lead us to fiscal stability. Certainly our scientists are working overtime; and no nation is devoting so much thought and effort as we in the search for better ways of doing things. We do indeed possess great advantages, and I for one am confident that we shall make full use of them. We can overcome our economic problems. To do so we will need determination and skill, imagination and hard work, courage and self-discipline. Americans are rich in these qualities—now we must roll up our sleeves and show the world how to use them.

F. F. Walker Director

Frank F. Walker, a general partner in Dean Witter & Co., has been elected to the board of di-

Frank F. Walker

rectors of California Water Service Company, according to an announcement by Ralph Elsman, Chairman of the Board.

California Water Service Company, the largest investor-owned water utility in the United States, serves 28 California communities.

John C. Murphy Opens

(Special to The Financial Chronicle)

ENGLEWOOD, Colo.—John C. Murphy is conducting a securities business from offices at 180 East Hampden Avenue.

Government of Japan To Sell $30,000,000 External Loan Bonds

The Government of Japan filed a registration statement with the Securities and Exchange Commission on Jan. 29 covering a proposed sale of $30,000,000 of external loan bonds. These consist of: $3,000,000 of three-year 4½% bonds, due Jan. 15, 1962; $5,000,000 of four-year 4½% bonds, due Jan. 15, 1963; $7,000,000 of five-year 4½% bonds, due Jan. 15, 1964; and $15,000,000 of 15-year 5½% sinking fund bonds, due Jan. 15, 1974.

The First Boston Corp. will head an underwriting group which will offer the 15-year bonds. The three-year, four-year and five-year bonds are being offered by Japan with The First Boston Corp. acting as offering agent and financial adviser.

The bonds will be direct, unconditional and general obligations of Japan and its full faith and credit are pledged to their payment, which will be in United States dollars.

The three-, four- and five-year bonds will not be redeemable prior to maturity. The 15-year bonds will not be redeemable prior to Jan. 15, 1969, except for the sinking fund, which commences July 15, 1964 and is calculated to retire 95% of the 15-year bonds prior to maturity.

The net proceeds from the sale of the bonds will be added to Japan's foreign exchange reserves. Yen equivalent to these proceeds will be loaned by Japan to Electric Power Development Co., Ltd., (almost all the capital stock which is owned by Japan) which is engaged in the construction and operation of a number of large-scale hydroelectric projects, and the wholesaling of the electricity produced by these projects to electric utility companies.

Concurrently with the offering of the 15-year bonds, the International Bank for Reconstruction and Development (World Bank) is proposing to lend to the Japan Development Bank, a Government-owned corporation, $10,000,000 (U. S.), or the equivalent thereof in other currencies. The World Bank loan, which is to be guaranteed by Japan, is to be repayable in 20 equal semi-annual instalments commencing March 15, 1974 and ending Sept. 15, 1983. The net proceeds of the World Bank loan to the Japan Development Bank will be reloaned to Electric Power Development Co., Ltd. for use in meeting the costs of its Miboro Project, which involves the construction of a dam, reservoir and generating facilities having a maximum capacity of 215,000 kw., which is to be completed by December, 1961. Japan will lend to Electric Power Development Co., Ltd. an amount of yen equivalent to the net proceeds from the sale of the publicly offered bonds to meet costs incurred in connection with the construction of the Miboro Project.

In the period since the end of the war, Japan has experienced a significant economic development and a considerable political and social transformation. Japan's industrial growth in recent years has been equal to that of any other major manufacturing country of the Free World, including that of the Federal Republic of Germany. In 1957 Japan's industrial production in real terms was nearly 1½ times its 1955 level and over 2½ times the 1934-36 level. Japan today enjoys a higher standard of living than before the war despite a larger population. Since the war, Japan has developed close political and economic relationships with the United States and other Western nations.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government in its refunding operation came along with what is termed "expected issues," since the one year 3¾% issue and the three year 4% note were pretty much what had been looked for in the financial district. It was very evident, not only to the Treasury but also to most money market specialists, that the 3¾% obligation was going to get the bulk of the exchanges in this refunding venture of the government. To be sure, there will be exchanges from the maturing issues into the 4% three year note, but the indications are that these will not be too sizable. Because of the tightness in the money market, which the monetary authorities will keep that way as long as the inflation pressure is strong, it is to be expected that the Treasury will have to meet competitive money conditions, and this means higher costs for borrowed funds.

Treasury Forced to Stay in Short-Term Sector

As previously indicated, the Treasury in its February refunding offered owners of the $14,900,000,000 of maturing securities a package deal, in which they had a choice of a one-year certificate with a 3¾% coupon or a three year note bearing 4%. This exchange was in line with what the money market had been predicting. To be sure, there had been talk about an intermediate term obligation, such as a short bond being part of the refunding offer, but evidently the uncertain position of the bond market, and the composition of the holders of the February maturities, did not make such an issue feasible.

The maturing issues were the 2½% certificates totalling $9,770,000,000, and the 1⅞% notes in the aggregate of $15,102,000,000. Of this total, $9,200,000,000 was held outside of the Federal Reserve System and this was a very sizable amount to be owned publicly. In addition, it was this portion of the maturing debt that was a point of concern to the Treasury, since the holders of the issues that were being refunded were in many instances not interested in taking the new obligations. In other words, cash was what not a few of these holders were in no position to refuse.

It was evident from what the Treasury had indicated at the time of the announcement of the terms of the refunding offer that the one year certificate would be favored by most holders of the February maturities since there is still great need in many cases to put funds back to work in an issue that is still within the short-term classification. Also, the Federal Reserve Banks which owned almost $6,000,000,000 of the February maturities would be interested only in the 3¾% certificate. However, there have been instances in the past where the Central Banks have exchanged part of their holdings for others than the shortest maturity.

No Easing of Credit Expected

The exchange offer rates of 3¾% and 4% again reflect the modest firming that has been going on in interest rates, and even though the Treasury will be in the money market from time to time there does not appear to be any signs yet of changes in the policy of the monetary authorities to ease the cost of borrowing. It is evident that the powers that be are going to hold a very tight reins on the money market as long as the inflation psychology continues to be strong.

There does not seem to be too much concern about the way in which the forces of inflation will be dealt with in the minds of some of the lawmakers in the nation's capital. It is evident for example, that it is not going to be an easy task to keep spending within limits that might not throw the government budget way out of balance. It is this kind of uncertainty which will tend to keep the pressure on the money market and interest rates.

Heavy Attrition May Impel New Money Borrowing

The Treasury, according to most money market specialists, will be in the market again for new money in the not too distant future, probably in April. The extent of these borrowings will depend in no small measure upon the amount of cash the Treasury will pay out in the current refunding. And in spite of corrected reports that the Treasury does not expect cash-ins to be excessive, there are still many money market followers who hold the opinion that there will be a sizable attrition in the recent refunding operation. It is indicated that a part of the new money which the Treasury will raise will come from the sale of Treasury bills, with the 182-day issue likely to be favored.

E. F. Connely Director

E. M. Black, Chairman and President of American Seal-Kap Corporation, has announced the election of Emmett F. Connely to the board of directors. A former President of the Investment Bankers Association of America, Mr. Connely previously was President of

Emmett F. Connely

American Securities Corporation, New York, and prior to that Chairman of The First of Michigan Corporation, Detroit.

Form Fund Investments

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—Fund Investments, Inc. of the Carolinas has been formed with offices at 1129 East Morehead Street. Officers are Charles A. Hunter, President; William W. Quinn and Richardson M. Hanckel, Vice-Presidents; Marjorie G. Hugo, Secretary; and James E. Cushman, Treasurer.

Form Estate Securities

(Special to The Financial Chronicle)

DENVER, Colo.—Estate Securities Corporation has been formed with offices at 1600 Ogden Street to engage in a securities business. Officers are Robert F. Barbey, President; Robert W. Kirk, Vice-President, and Wendell W. Shows, Secretary and Treasurer. All were formerly with Allen Investment Co.

H. Russell Hastings Now Associated With Shearson, Hammill

DETROIT, Mich. — H. Russell Hastings has become associated with Shearson, Hammill & Co. as

H. Russell Hastings

manager of their newly opened branch in the Penobscot Building. Mr. Hastings who has been in the investment business in Detroit for many years was formerly with Baxter & Company, Inc.

Happy Birthday to You

Happy Birthday, Feb. [illegible], to Julius Golden, Greene and Company, 37 Wall Street, New York City. "Julie," a native New Yorker, was born in Manhattan. He has been associated with Greene and Company for 23 years, the last 15 as a partner.

Julius Golden

His favorite activities away from business are working with youth programs, such as Scouting, Little League, and presently helping to organize a Science Club for young boys in his community.

He and his wife Sylvia are the proud parents of a son, Ira, age 11, and daughter, Ann Carol, 7.

A salute to Julie Golden from his numerous friends and associates in the securities field.

With John Muir Co.

Irving H. Weissman, formerly Treasurer of Weissman Bros. Inc., is now associated with John Muir & Co., 39 Broadway, New York City, members of the New York Stock Exchange, as registered representative.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Bank Stocks

Given consideration to the changed conditions in bank investments, the leading New York City banks did very well in 1958. In comparison with 1957, loan volume (at year-end date) was down an average of 1.1%. However, deposits were well above the end of 1957, the average increase being approximately 9.2%. As the return from loans among these banks since interest rates came down from their high has been 40% or thereabout, above the return on investments (principally governments), they have derived greater benefit, relatively, from the pronounced increase in government obligations than was the case several years ago. In 1958 the banks' increase in such holdings, over the 1957 year-end, averaged about 26½%, a quite commendable showing versus the change in loan volume, as long as loans did not keep pace with investment volume.

The tide of general business is running higher, and we can get numerous assurances of better economic conditions from diverse sources, Federal Reserve, annual reports of banks, etc. Chase Manhattan, for example, stated in the annual report that "in the face of a slowdown through most of the year in domestic loans, credit extended to borrowers in other countries was increased."

The point to be made here is that, if the general economy continues to come out of the recent recession even at a moderate rate of improvement, the banks' large holdings of governments will put them in a good position to take advantage of any increase in demand for loans that may take place. It must be remembered that bank holdings of government obligations are heavily committed to the shorter maturities; few of them show holdings maturing in over 10 years, and where they are shown, they represent small proportions of total loan portfolios.

Banks in the central reserve cities must of necessity, remain relatively liquid with their government holdings; but the large New York banks adhere to comparatively short maturities as a matter of policy regardless of their position vis-a-vis the interior banks.

While on the subject of investments one might look at the New York banks' 1958 results with their bond holdings. They reported a very profitable year in some cases; in others apparently little trading was done. Eleven of the 13 large New York City banks reported on this item for 1958, and their aggregate profit after appropriate taxes, was $54,340,000, using rounded figures. To be sure, this item of securities profits can ebb and flow. For 1957 only two of these banks reported profits; the other nine showed losses, only two of them being sizable. The 1958 result for the group far outbalanced the earlier year's results.

There are evidences of slight loan rate increases. A recent Federal Reserve Bank report stated that "the large New York City banks charged a substantially higher average interest rate on loans during the first 15 days of December than in the first half of the year. . . . The rise reflected the mid-September increase in the prime loan rate from 3½% to 4%." Granted, this is not what fairly may be called a pronounced trend, but the recovery from the recession has not been at a rapid tempo. One indication is that the seasonal decline in loans to business is considerably less at this stage than it was last year in the corresponding period.

As to 1959 earnings from operations, it is of course early to be venturing such predictions, but assuming a continuation out of the recession the banks may be expected to maintain at least the present level of earnings assets. Further, there should be some further shifting into loans as general business becomes more active; and this would help earnings. This department believes that a 5% to 7% improvement in operating earnings is a logcial expectation.

Bank stock prices have in the past week or two shown a little hesitation. A contributing factor could be the intrusion of the Justice Department in Washington in the Morgan-Guaranty and the Bankers-Manufacturers proposed mergers, with no less an influence coming from the threatened introduction of a bill in Congress that would make possible the undoing of mergers retroactively. Such a law could cause a great amount of mischief.

Another factor is that bank stock yields are becoming less. Some have broken through the 4% level; and bank stock investors are accustomed to better than that figure on their investment purchases. On the other hand, in relation to the high price-earnings ratios of so many blue chip industrials, the present 14.5 to 1 average makes the bank shares look reasonable.

William D. Sullivan With Baxter & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—William D. Sullivan has become associated with Baxter & Company Union Commerce Building. Mr. Sullivan in the past had his own investment firm in New York City and was associated with Blair & Co. Incorporated and C. F. Childs & Company.

Joseph F. Wittermann With Geo. E. Sozek Co.

Joseph F. Wittermann has become associated with Geo. E. Sozek Co., 40 Exchange Place, New York City.

Continued from page 19

News About Banks and Bankers

III, and John Hazen White were elected to the Board.

* * *

The shareholders of the **First National Bank & Trust Company of Paterson, N. J.**, overwhelmingly approved management's recommendation to change the name of the bank to **First National Bank of Passaic County** effective March 2. The action took place at the Annual Meeting of Shareholders.

Elected a Director was Oscar T. Storch, Executive Vice-President.

* * *

Paul Bestor retired as Chairman of the **Trust Company of New Jersey, Jersey City, N. J.**, but will continue as a Director. Walter M. Dear has been elected to succeed him. Robert J. Adams was elected Executive Vice-President and a Director and will remain in charge of the bank's mortgage and real estate portfolio.

* * *

Residents of the Greater Trenton area will be able to "charge it" in stores, restaurants, service stations and other points of purchase when the **Trenton Trust Company, Trenton, N. J.**, newly-announced QUICK-CHARGE plan goes into effect. The plan will enable customers to charge purchases at member-stores without paying a premium or service charge.

In outlining the plan for businessmen who would become the member-merchants, Mrs. Mary G. Roebling, President-Chairman of Trenton Trust Company explained, "Residents of the area will obtain personalized QUICK-CHARGE Credit Cards from the bank and present them to member-merchants upon making a purchase. At the end of each month, the individual will receive one bill along with duplicates of all sales slips. The credit card can be used for the purchase of anything from a dinner at your favorite restaurant to a new living room rug.

* * *

The Scranton National Bank, Scranton, Pa., increased its common capital stock from $200,000 to $400,000 by a stock dividend, effective Jan. 23. (Number of shares outstanding—8,000 shares, par value $50.)

* * *

Arthur H. Wilharm, Vice-President of **Fidelity Trust Company, Pittsburgh, Pa.**, retired after 56 years of service to his bank. Mr. Wilharm joined **Colonial Trust Company**, which merged with Fidelity in 1954, as a messenger boy in 1903.

* * *

John D. Heckman, President, **City Bank and Trust Company, Reading, Pa.**, announced that at the 25th annual meeting of shareholders two new directors were elected, Dr. Robert H. Clymer, Jr., and Mr. Arthur N. Jewell.

Later in the day, the Board of Directors promoted three officers to higher rank. Leonard R. Yoder rises to Senior Vice-President from the Vice-Presidency; Paul R. Baer to Vice-President from Treasurer; and Maurice R. Stauffer to Treasurer from Assistant Treasurer.

Mr. Yoder, since he came with City Bank in 1938, has held the positions of clerk, assistant treasurer, treasurer and vice-president.

Mr. Baer has been associated with the Bank since its inception and was elected Treasurer in 1952. Mr. Stauffer came to City Bank in 1942. He was elected Assistant Treasurer in 1952 and has been in charge of the operation of the note department since 1948.

* * *

David G. Hill was named a member of the Board of Directors of **Mellon National Bank and Trust Company, Pittsburgh, Pa.**, at the annual meeting of the bank's shareholders.

Also elected as a director was John A. Mayer, Executive Vice-President of Mellon Bank.

* * *

Fidelity-Baltimore National Bank, Baltimore, Maryland, increased its common capital stock from $3,725,000 to $4,097,500 by a stock dividend, effective Jan. 20. (Number of shares outstanding—409,750 shares, par value $10.)

* * *

Allan S. Austin and Ben F. Hopkins, Jr., Vice-President and Assistant to the President of **Central National Bank of Cleveland, Ohio**, were elected directors on Jan. 27, at the 69th annual meeting of shareholders of Central National Bank.

Loring L. Gelbach, Chairman and President of the Bank, also announced that the shareholders voted to approve the Agreement to merge **North American Bank, Cleveland, Ohio**, and Central National Bank of Cleveland. The proposal was voted upon by shareholders of North American Bank at their meeting on Jan. 28. After approval by shareholders of both banks and subject to final approval by the Comptroller of the Currency, the unification of the two Banks will take place Feb. 28, 1959.

Two directors are retiring from the Board pursuant to a policy adopted by the Board which provides an age limit for directors. They are John C. McHannan, who has been Honorary Chairman of the Board since his retirement as active Chairman in September, 1957, and Howard J. McGinn. Mr. McHannan has served the Bank continuously since 1892 and Mr. McGinn has been a director since 1953. Mr. McHannan will continue as Honorary Chairman of the Board.

* * *

First National Bank at East St. Louis, Illinois, increased its common capital stock from $600,000 to $800,000 by a stock dividend, effective Jan. 20. (Number of shares outstanding—64,000 shares, par value $12.50.)

* * *

Second National Bank of Saginaw, Michigan, increased its common capital stock from $3,600,000 to $4,000,000 by a stock dividend, effective Jan. 21. (Number of shares outstanding—160,000 shares, par value $25.)

* * *

The First National Bank and Trust Company of Racine, Wisconsin, increased its common capital stock from $1,000,000 to $1,200,000 by a stock dividend, effective Jan. 23. (Number of shares outstanding—60,000 shares, par value $20.)

* * *

The First National Bank of Memphis, Tennessee, increased its common capital stock from $6,000,000 to $7,500,000 by a stock dividend, effective Jan. 20. (Number of shares outstanding—750,000 shares, par value $10.)

* * *

The Hamilton National Bank of Johnson City, Tennessee, increased its common capital stock from $400,000 to $500,000 by a stock dividend effective Jan. 21, 1959. (Number of shares outstanding—20,000 shares, par value $25.)

* * *

The election of Gordon A. Japp as Vice-President of **Mercantile National Bank of Miami Beach, Fla.**, has been announced by Joseph Weintraub, Board Chairman.

Mr. Japp, a veteran of 25 years in commercial banking, was at one time associated with the **Irving Trust Company, New York**, and the **Lincoln National Bank in Cincinnati, Ohio.**

He has been engaged in banking in Miami since 1949, and formerly was an officer of the **First National Bank of Miami.** For the past three years he served as Vice-President and Senior Loan Officer of the **Metropolitan Bank of Miami.**

* * *

Randolph Bryan, Vice-Chairman of the board of the **Bank of the Southwest, Houston, Texas**, died Jan. 30. His age was 66.

* * *

Elliott McAllister, **Bank of California, San Francisco, Calif.**, Board Chairman, announced that the shareholders at their annual meeting added two prominent San Francisco executives to the bank's 19-man Board of Directors. The new directors are Robert A. Magowan and John L. Merrill.

* * *

Directors of the **County National Bank and Trust Company of Santa Barbara, Calif.**, and of the **Crocker-Anglo National Bank, Los Angeles, Calif.**, one of America's leading banking institutions, have tentatively approved a plan for a merger of the County National into Crocker-Anglo Bank, subject to the ratification of the respective shareholders and to the consent of supervisory authorities, it was announced jointly by Paul E. Hoover, President of Crocker-Anglo, and Joe D. Paxton, Chairman of the Board of County National.

Upon consummation of the merger, County National's office in downtown Santa Barbara, and its recently opened office in Montecito Village, would become the Santa Barbara and Montecito offices, respectively, of Crocker-Anglo National Bank. All officers and staff members of the County National would become officers and staff members of Crocker-Anglo, directors of County National would become members of Crocker-Anglo's Santa Barbara advisory board, the two bank heads said.

Crocker-Anglo, which bears the distinction of being California's longest established national bank, was chartered in 1870.

County National Bank and Trust Company was established in 1875 and is one of the largest independent banks in the State.

* * *

The election of L. O. Ivey as Chairman of the Board of **Citizens National Trust & Savings Bank of Los Angeles, Calif.**, was announced Jan. 15 by Roy A. Britt, President and Chief Executive Officer. Mr. Ivey succeeds Herbert D. Ivey, who retired as Chairman, but will continue to serve as a member of the Board.

L. O. Ivey, Vice-Chairman since 1953, previously served as Executive Vice-President of Citizens National for 17 years, and has been with the bank since 1903.

* * *

Pacific National Bank of San Francisco, Calif., is offering to the holders of its outstanding common stock of record at the close of business Jan. 13, the right to subscribe, at $42 per share, for a total of 74,511 shares of common stock at the rate of one share of additional common stock for each three shares then held.

The warrants are of two types:

(a) Full share subscription warrants, each of which entitles the holder or his assignee to subscribe for a specific number of full shares of common stock, and

(b) Fractional share subscription warrants, each of which entitles the holder or his assignee to combine same with other fractional share warrants, equal in aggregate to a full share warrant(s), and to subscribe to the number of full shares of common stock specified in such combined warrants.

The proceeds will be added to the capital and surplus account.

* * *

United States National Bank of Portland, Ore., elected six new directors, named 16 officers and authorized a 10% stock dividend at the annual meeting Jan. 20, according to E. C. Sammons, President.

New members of the board of directors include Roy Jarman, L. B. Staver, Vice - President and Executive Trust Officer and head of the bank's trust department; W. T. Triplett, Jr., Howard Vollum, Frank M. Warren, Jr., and Robert B. Wilson.

Mr. Staver was made head of the trust department Jan. 1, succeeding Robert M. Alton who retired under provisions of the bank's reitrement program. Mr. Staver has been at U. S. National since 1925.

At the same time, C. H. Winkel was advanced from Assistant Vice-President to Vice-President and Ralph H. Shumm moved from assistant trust officer to trust officer. Mr. Winkel began his banking career in Oregon City in 1920 and joined U. S. National in 1930 when the West Coast National was acquired. He was named assistant cashier in 1946 and Assistant Vice-President in 1956. He heads Personnel and Operations. Mr. Shumm joined U. S. National as an Assistant Trust Officer in 1954 at the time of the merger of the **Commercial Bank of Oregon** and U. S. National. Previous banking experience included three and a half years with the Commercial Bank and six years with the **Pacific National Bank in Seattle, Wash.**

* * *

Umpqua National Bank, Reedsport, Oregon, increased its common capital stock from $100,000 to $200,000 by a stock dividend. effective Jan. 22. (Number of shares outstanding—2,000 shares, par value $100.)

* * *

The Directors of **Midland Bank Limited, London, England,** announce with regret that Sir Alexander Roger, K.C.I.E. and Lieut.-Colonel Sir Albert G. Stern, K.B.E., C.M.G., D.L., have retired from the Board of the bank and that of Midland Bank Executor & Trustee Company Limited. Sir Alexander Roger had been a Deputy-Chairman since 1948.

* * *

Midland Bank Limited, London, England, announces that The Right Honorable Lord Blackford, D.S.O., J.P., D.L., has been appointed a Deputy-Chairman of the board of directors of the bank and of Midland Bank Executor and Trustee Company Limited.

* * *

The Bank of Hawaii, Honolulu, Hawaii, on Jan. 22 expanded its Board of Directors. Stockholders of the bank at their annual meeting increased the number of their Board of Directors from 16 to 20. Six new Directors were elected and two are retiring. Retiring from the Board are U. J. Rainalter and R. E. Morton, retired President and President, respectively, of the **Hawaiian Trust Company, Limited.**

New Directors elected are: Cornelius C. Cadagan, Hung Wo Ching, Lowell S. Dillingham, Harold C. Eichelberger, Ralph B. Johnson, and L. Ashby Wills.

Also announced at the annual meeting, the Bank of Hawaii Share Owners authorized the Board of Directors to declare and pay a stock dividend of 27,500 shares of the authorized but unissued capital stock to the bank, pro rata, to holders of record at the close of business, Jan. 5. This is at the rate of one new share for each 10 shares held of the 275,000 shares of capital stock issued and outstanding. It further authorized the Board to issue and sell full shares representing fractional interests resulting from the declaration of stock divided at public sale. The stock dividend is declared and payable as of Jan. 23, 1959, out of the undivided profits of the bank.

Continued from page 16

Problems of Investing Abroad

for capital and cannot get it to flow their way.

Investment Climate

This problem has physical, ideological, political and ethical facets. To start with the physical problem:

(a) Physical absorptive capacity: By this I mean in the first place the so-called "economic overhead capital"—public utilities, posts, telegraph, telephones, roads, railways, port facilities, electricity, water, etc.

In the second place, the "social overhead capital," such as school buildings, hospitals, housing, potable water, etc.

In the third place, a functioning civil service, capable of dealing with the requisite volume of transactions which capital investment brings in its train; customs clearance, issuance of licenses, visas and permits, handling of law cases, tax problems and the entire complex of governmental functions on the central and local government levels which industrial activities call for. This includes at least a modicum of administrative integrity, as well as security of life and property.

In the fourth place, availability of labor in the required numbers and of the requisite character.

The mere recital of these fundamental physical needs of industrial capital investment would alone account for the sluggishness of the flow of such capital into underdeveloped countries, which are precisely the ones which most desperately need it, and are least prepared to cope with it.

However, it is easier for American capital to make adjustments and compromises in this field of physical needs, than it is for it to adjust itself to obstacles of a more subtle and less calculable character which compose the spiritual and administrative investment climate.

(b) Investment Laws: Each capital-hungry country has passed an Investment Law of one kind or another, and a sorrier and more pathetic story of total incomprehension of what makes capital flow, it would be difficult to imagine.

Almost all of them are based on a number of false assumptions, namely:

(I.) That "foreign capital" is waiting at the door, panting for admission.

(II.) That this eagerness to enter is such that it will readily exchange the total freedom of movement which it now possesses in the dollar area, for a "blocked exchange" position in the recipient country so long as some modest assurances are given of permitting remittance of some limited percentage of profit and gradual repatriation of capital. (It is as though a new bank opened its doors, and solicited deposits on the promise that the depositor could get a certain part of his money back each month. Obviously, such a new bank would get deposits only if it offered very unusual advantages in other directions.)

(III.) That an investment law can be usefully made into a tool of maintaining and enforcing internal ideological or political philosophies. Many, if not most of them, establish governmental bodies or commissions to which application must be made by prospective investors, and which have the function of enforcing not only legitimate business purposes, but also ideological preconceptions.

(c) Obstacles which spring from ideological concepts: These concepts find their expression in legislative and administrative policies and color the reaction of the community to foreign capital. I would like to discuss them in two parts—firstly, a socialist or semi-socialist concept which is basically suspicious of private capital and which tends to consider the profit motive as in some way mean and sordid and anti-social. Secondly, and closely related to it, is the concept of advance national planning, with a system of economic priorities incorporated in such plans.

The socialist or semi-socialist concept permits a measure of temporary tolerance of private capital, primarily on the fringes of economic life, and with the sword of nationalization poised over its head should it become excessively successful or important. That is the philosophy which underlies a frequently practiced division of economic life into so-called "public" and "private" sectors, the public sector being the darling child and the future hope of the nation. Unfortunately, like all human beings and human institutions, private capital needs affection and acceptance and does not thrive in a climate of reluctant and temporary tolerances.

The ideological distrust of private capital in general is compounded by specific and historically understandable specific distrust of **foreign** private capital rising (in the words of one of the leaders of the underdeveloped world) "from past association of foreign capital and control with foreign domination of the economy of the country." Another official statement from this area said: "If any foreign concerns come to be compulsory acquired, government would provide reasonable facilities for the remittance of proceeds"; also that: "If and when foreign enterprises are compulsory acquired, compensation will be paid on a fair and equitable basis"; and also: "Government will not object to foreign capital having control of a concern for a limited period, if it is found to be in national interest. . . ."

There is no reason to doubt the sincerity of these invitations, nor the growing realization in the higher echelons of political leadership in many underdeveloped countries of the burning need for foreign capital. But this realization has not always spread to lower echelons of the civil service and the stories of how prospective investors were harassed by bureaucrats out of their investment plans are many.

In any event, an invitation hedged with the threat (however distant) of expropriation is not generally appealing. Several of the underdeveloped countries have paid a high price, in terms of the standard of living of their people for their sterile adherence to a doctrine which they are not even able to practice, since a socialist society presupposes the possession by the government of technical and capital resources which are simply not there.

Obviously the main obstacles are of a deeper and more fundamental nature, lying in the realm of spirit. We shall address ourselves to these deeper obstacles.

Revolution in the Middle East

The choice of the Middle East as our laboratory of research into the nature and mainsprings of these obstacles is logical. It is in this area that the passions are fierce and shot through with flames of violence, that the basic conflicts of our era—between the East and the West, the haves and the have-nots, the colonial and the anti-colonial forces, the clash between the ancient patterns of living and the modern, the devisive forces which plague all nations of recent sovereignty—are present in their most extreme manifestations. The thesis which I intend to submit at this point is that the Islamic Middle East is in the throes of a revolution, social, political, economic and ethical; that break-down of ancient ways of life has undermined ancient standards of value, and that the emergence of a new and stable structure will be a prolonged historical process. In the meanwhile the people of the area are shaken by conflicts which they can no longer relate to ancient values and disciplines.

The old way of life in the Islamic world was rigidly set up with established loyalties: to the head of the family, to the tribal chieftan or sheik, and to the Khalif of all the faithful. On the authority of the Koran was erected a code of rules of conduct, the Sharia, which regulated the life of the believer from the cradle to the grave. Based as it was on 'revelation,' it was of divine origin, and hence superior to any other immutable and not subject to question or to the choice of alternatives. Within this closed theocratic society the believer was not encouraged or permitted to seek a better way of life. He bore his misery, and the erosion of the natural and human resources, without complaint, and was sustained by the promise of a sensuously described paradise which will reward his submission to the will of God.

The Sharia, geared to the problems of tribal living, could not meet the challenges of modern life. Kemal Ataturk in Turkey undertook to sweep it aside and abolished by decree all aspects of the theocratic, Islamic way of life. Because of the completeness of his reforms the adoption of Western value standards by the Turks was made easier, and the process of adaptation to the 20th century was telescoped into a couple of generations. While the intelligentsia of the Arab world is also largely emancipated and influenced by Western culture, there is no willingness to challenge tradtion in the manner of Ataturk. Hence transition is likely to be more painful and prolonged. A contributing factor to this difficulty of transition is the practical lack of communication between the thin upper crust of the educated class and the great illiterate, miserable mass of the population.

Analysis of Investment Risks In the Middle East

Against this background we can discuss the three basis classifications of investment risks:

(a) Nationalism: Long oppressed, politically by the colonial powers and old empires, and spiritually by the fetters of out-dated customs, the nations which have shed these oppressions and these fetters expected their new-found freedom magically to bring happiness. The dismal failure of these high hopes has brought on the searching for scapegoats. The discovery that the new sovereignty has brought neither power, nor prosperity, nor dignity has sparked distrust and dislike of foreigners who, because of past domination, exploitation and intrigue and also because of the sharpening conflict between the privileged and the underprivileged are still considered as the natural enemy.

The passion of nationalism of which dislike and distrust of foreign political and economic power is the principal component, is often spoken of as constructive force, one out of which future strength will grow. There is no doubt that it gives to the individual a sense of exhileration and a semblance of strength, a shot in the arm which makes his misery more tolerable. When excited crowds of students and school children and plain city mobs march together, carrying banners and chanting slogans, shaking fists and carrying their heroes on their shoulders, there is undoubtedly a rewarding feeling of power and of unity.

On a national level, also, the very process of exercising new-found sovereign power, through nationalization or sequestration or expulsion or any other demonstration of strength and fearlessness *vis-a-vis* the outside world, produces exultation and nourishes the ego. (The shocking comparison between the glorious past and the shabby present, and the grievances against colonialism.) We must admit the historic inevitability of nationalism and the satisfactions it produces. But our concern is with investment "climates" and not with a search for historic backgrounds of this or that emotion. So far as investment climate is concerned, and even for broadly so far as the economic advancement of the mass of the people is concerned, the practice of extreme nationalism has been an unmitigated disaster for the underdeveloped nations of the world.

Egypt As an Example

Here is an example of nationalism's effect on investment climate:

Egypt has a problem of over-population. The high birth-rate has doubled the population in 50 years, while the arable area, a narrow strip along the Nile, has increased only slightly. There has been a steady drop in the standard of living. There is general agreement among informed Egyptians and foreigners alike, that the main hope of escape from this disastrous squeeze lies in industrialization, and primarily in the attraction of foreign industrial capital. The nationalization of the Suez Canal Company (the question of legality aside), followed by the sequestration of French and British properties and the impending Egyptianization of all foreign banks and insurance companies has effectively and for a long time to come, poisoned the climate of foreign private investment in Egypt.

The sequestration of British and French banks and insurance companies, apart from all this, was an economically negative gesture, since these institutions derived their greatest usefulness from the fact that they were branches of powerful foreign companies, and acted as a pipeline between Egypt and the capital markets of the world. Detached from their parents, they are empty shells. The price paid for these ephemeral satisfactions in terms of the national economic interests and of the national standard of living is too high.

I dwell on Egypt so much because the impact of its policies on the investment "climate" is not only local. While on the subject of nationalism, it is well for us to be careful not to confuse it with patriotism. The two emotions may co-exist, but they are not the same. I define patriotism as a deeply-rooted sense of belonging to a nation and being willing to sacrifice for it, be it one's service, one's money or one's life. It is not the physical fact of living within certain boundaries that makes a person a patriotic citizen.

(b) Risks of International and Internal Conflict: Inherent in every young sovereignty are the centrifugal forces which develop within it—between political and economic groupings, between religious and linguistic sectors, between regional interests and, most dangerously, between the haves and the have-nots—which in the Middle East often means landowners on the one hand and share croppers on the other. We only have to look back to our own Civil War to realize that the process of the development of a unified citizenship is an arduous one. The countries of the Middle East are inevitably criss-crossed with divisive forces which occasionally find reflection in outbreaks of violence—of which we had recent examples in Iraq and Lebanon.

Stepping beyond the Middle

Continued on page 36

Continued from page 35

Problems of Investing Abroad

Eastern area, the internal instability inherent in recent sovereignty has been coming to the surface here and there—in rioting of language groups in India and Ceylon, in regional rebellions in Indonesia, in internal upheavals in Burma and Pakistan, etc. The risks of international conflict are also an inevitable corrollary of the political immaturity of newly independent nations, whose relations with their neighbors have not been stabilized by history and whose borders do not yet have the sanction of blood shed in their defense through the centuries.

Hence, within the Arab world, the seeds of possible conflict are sprouting in plain view—notably between the oil-producing countries and the oil transit countries, between republics and monarchies, between those who look to the West and those who consider a Western orientation to be a betrayal of the dreams of Pan-Arabism. There is the festering Arab-Israel conflict, the bitter problem of the Arab refugees, the historic friction between Turkey and Syria. There are conflicts between Egypt and the Sudan, and Egypt and Tunis. Outside this immediate area we have the long-standing and dangerous Kashmir dispute.

The point I am making is that these divisive strains, which represent a business risk for the foreign investors, are inherent in the historical process of establishing new nations, and are not a passing phase, or a superficial phenomenon which we could paper over by diplomatic finesse

(c) Risks Arising Out of Differences in Value Standards: On the political plane, as we saw, the pursuit of political objectives takes precedence, within the framework of inflamed nationalism, over those values which appear paramount to us, such as economic progress and higher standards of living. The excessive value placed on prestige factors also distorts economic thinking. For instance, there is general hankering after steel mills in the midst of primitive economies, or on monumental projects of the character of ancient pyramids, as for instance the High Aswan Dam in Egypt. On the individual plane, differences in value standards are many and must be carefully considered by would-be investors. For instance:

The tendency to regard business as a battle of wits, and to conduct it under the rules of warfare.

Secretiveness and lack of teamwork.

Prestige factors and problems of social status or caste, among others the unwillingness of educated persons to perform many needed services.

Differences in economic incentives.

Turkey and Israel, and to a lesser extent, Lebanon, have adopted, to a large extent, Western value standards. Accordingly, in these countries the emotion of nationalism no longer has the aggressive aspect which could threaten foreign capital investment solely on the ground that it is foreign.

Special Position of Capital Invested in Extractive Industries

This type of capital flows freely and eagerly into areas in which the investment climate is considered unhealthy by other forms of private investment capital. This unique willingness to operate under all climates has sound economic reasons peculiar to extractive industry and not shared by others:

(1) It can buy its way in, in a way no other industry can. The material rewards to the recipient country are such that, once savored, they are not easily dispensed with, except on a few occasions whre nationlist passion overcomes economic self-interest. The present material rewards from oil to countries such as Saudi Arabia, Iraq or Iran are so important that their economic development and even (in the case of Saudi Arabia) their very existence depends on them.

(2) The profit returns to the extractive industry itself are such that it is betting at odds vastly more favorable than those available to the investor of manufacturing or service capital.

(3) The diversification of areas of operation, coupled with large profit margins, covers the unusual risks of nationalization or war damage. These two factors, diversification and a high profit margin, operating together, act as an insurance policy and enable the extractive capital to disregard climatic conditions which would be fatal to other industries.

(4) Because the world-wide marketing and distribution facilities are largely controlled by the major oil producing companies, the advantages of nationalization are limited to the local market, as for instance in the case of the Mexican nationalization. And even this is conditional upon the capacity of the nationalizing country to operate an industry which requires technical and administrative talent of a high order and a large working capital.

To sum up, extractive industries deal from positions of strength which are not available to other industries and for this reason are less sensitive to climates. Of the advantages to the recipient country, the money inflow in the form of taxes, royalties and other disbursements of the oil companies is the basic one. The managerial and cultural impacts are uneven and, in any event, not comparable to the enormously diffused and widespread influences which would flow from the investment of comparable funds in a vast number of medium-sized and diversified manufacturing establishments.

Some Conclusions

This presentation is unavoidably one-sided. The elements of risk are stressed and the picture is to that extent unbalanced. Like a physician who studies the symtoms of illness, the function of the banker is to focus on deviations from economic health.

The basic conclusion is that it is not the shortage of money or of natural resources which is the main retarding element. The Middle East gets in oil royalties alone over $1 billion annually, and its total receipts in foreign exchange, including exports and foreign aid are on the order of $2½ billion. The problem is rather one of inadequate use of and misdirection of resources.

The technical assistance given by the United States and by the U. N. is among the elements of hope in this otherwise disturbed situation. Almost qually important is plain speaking by the friends of the underdeveloped world in the effort to bring about better understanding of the climatic requirements of private capital and of the inestimable benefits which it could bring.

Continued from page 4

The State of Trade and Industry

half of 1958, won't bring price boosts because department stores' inventories of goods are normal and because manufacturers' capacity to produce such goods appears able to meet foreseeable demand, Mr. Lazarus explained. He added that his forecast did not allow for the effect on prices of any major wage adjustment in basic industries later this year.

Building Permit Volume for 1958 Set Record

The volume of building permits for 217 cities for 1958 amounted to $6,899,949,258, a record level, reports Dun & Bradstreet, Inc. This was a gain of 11.3% over the prior record of $6,196,884,821 that occurred in 1956 and an increase of 14.9% over the 1957 total of $6,005,163,308.

New York City building plans filed during 1958 rose 30.6% to $851,552,782 from the $652,001,448 in 1957, but the 1958 total was 1.2% below the 1956 record of $861,609,508. Permits in the 216 outside cities had a valuation of $6,048,396,476 compared with $5,353,161,860 in 1957, for a gain of 13.0%.

Building permits issued in 217 cities in December were at the highest level for any December on record. The total was $459,-395,545, up 17.2% from the $391,981,064 of a year ago, but 5.4% below the $485,756,268 of the prior month.

The December New York City building permits values were up sharply from December 1957. The total was $63,175,489, an increase of 34.2% over the year ago $47,061,897, and a gain of 7.9% from the $58,563,962.

Permits in 216 outside centers were valued at $396,220,056, for an increase of 14.9% over the $344,919,167 reported in December 1957, but the level was 7.3% below the prior month's total of $427,192,306.

Steel Demand Impels Use of Marginal Facilities

Steel users are jockeying for position on mill order books, according to "The Iron Age," national metalworking weekly.

"Iron Age" said the mills are doing their best to fit everybody into ever-tightening rolling schedules, but it is not easy.

"The way orders are pouring in, it is as though someone had opened the flood gates," a harassed steel sales executive said this week.

"Iron Age" said more mills are "screening" new orders in what amounts to an informal system of allocation. The metalworking weekly explained that the mills are trying to give all steel users a chance to stock up before a possible steel strike next July 1.

"We are fitting some customers in with a shoehorn," said one mill. "We can't always give them what they want, but we're putting them on the rolling schedule in what open space is still available."

"Iron Age" said most buyers are asking for delivery by May or earlier—and with good reason. It added that even the mills are reluctant to take orders for June delivery. The reason for this is the fact that order carryovers from May to June will be so heavy that June orders will be washed out.

The metalworking weekly said that if order volume continues to mount the mills could be operating at near-capacity in the second quarter. Marginal melting furnaces—the ones that are not so efficient as the newer furnaces—are being brought into production at several mills. These furnaces are started up only when it becomes absolutely necessary.

More small- and medium-size steel users are scrambling to protect their inventory position. In the process they are trying to increase their "normal" shares of available products. In sheets, for instance, they are trying to boost their tonnage from a "normal" one-third to a second quarter two-thirds.

"In this situation," says one mill product manager, "total demand adds up to more than 100% of sheet capacity. Obviously, something's got to give."

"Iron Age" said more steel products are entering the hard-to-get category. These include hot-rolled sheets and strip, and plate. Plate has been on allocation in the Midwest for several weeks, but it is now approaching that stage in Pittsburgh. Mills there are telling customers plate will be on allocation in the second quarter.

Still relatively easy to get are oil country casing and tubing, linepipe, and rails. Standard structural shapes are showing improvement but are on the easy side. Demand for wide flange beams is much stronger.

Steel Mill Operations May Cross 90% Mark in First Half

Steel mill operations are moving upward sharply and may cross the 90% mark during the first half, "Steel" magazine reported Feb. 2. Second quarter operations may average 85% of capacity.

Steelmakers boosted operations a spectacular 5.5 points to 78% of capacity last week. But, even then, output was less than incoming orders for tonnage. Orders were the best in about two years. Several mills booked tonnage in excess of capacity.

Mills turned out 2,212,000 net tons of steel for ingots and castings the best of any week since June 10, 1957. January's output was about 9.3 million ingot tons, highest in 19 months. Rates were up in ten of "Steel's" 12 steelmaking districts.

Sheet mill products are in strong demand in all sections of the country. Chicago steelmakers are booked through the first quarter on cold-rolled, galvanized, and enameling stock. They expect to be sold out through June. At Philadelphia deliveries on cold-rolled sheets are running into late April and May.

Hot-rolled products, readily available in the past, are also feeling the squeeze. Eastern mills are quoting six weeks' delivery. Coated products have been on allocation for several weeks, and it's believed that cold-rolled sheets are next. Some mills will slap controls on stainless sheets and strip during the second quarter.

Demand for hot-rolled and cold-finished bars is on the upswing, thanks to automotive buying.

Plates are perking up moderately in the Midwest as fabricators replenish their inventories. Although floods played havoc with steel production in some areas, they will contribute to the plate resurgence. Many bridges and barges are in need of repair.

A "Steel" survey shows that a large segment of steel buyers will add to their inventories in the next three months. There are indications that the buildup will extend to midyear. Steel, copper, brass, and aluminum will feel the upswing.

Hot-roller bars, hot- and cold-rolled sheets, strip, and plates are the leading items, "Steel's" survey of mill product buyers shows. Small fabricators are leading the trend. Buyers agree that their buildup will far exceed the normal quarterly pace.

The metalworking magazine predicted that first half steel industry earnings will climb to prerecession levels. Early financial reports indicate '58s last quarter brought the best net profits since early 1957.

New strength is developing in scrap. "Steel's" price composite on steelmaking scrap advanced $1 last week to $41.67 a gross ton. This marked the third straight weekly increase despite sluggish mill buying.

Steel Production at 19-Month High

The American Iron and Steel Institute announced that the operating rate of steel companies will average *140.4% of steel capacity for the week beginning Feb. 2, equivalent to 2,256,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *135.6% of capacity, and 2,178,000 tons a week ago.

Actual output for Jan. 26 week was equal to 76.9% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for the week of Feb. 2 is 79.7%.

For the like week a month ago the rate was 129.8% and production 2,085,000 tons. A year ago the actual weekly production was placed at 1,457,000 tons or 90.7%.

*Index of production is based on average weekly production for 1947-1949.

January Auto Output 11% Above Year Ago

January passenger car production in the U. S. will top the same month last year by 11%, while truck output will improve 19%, "Ward's Automotive Reports" said on Jan. 30.

The statistical publication estimated the nation's factories will turn out 545,286 cars and 97,655 trucks in the month compared to totals of 489,357 and 81,802 in January, 1958.

Although the passenger car rise is significant, said "Ward's," it is not as great as manufacturers had foreseen at the start of the year. Original plans had called for 595,000 automobiles in January. They fell 50,000 units and 8% below the goal. The 97,655 trucks estimated for the month corresponded with the forecast made at the beginning of January.

"Ward's" attributed most of the car production loss to Chrysler Corp.'s assembly problems. Since mid-January, production efforts of the corporation have been limited by a glass shortage stemming from the Pittsburgh Plate Glass Co. strike.

Chrysler car operations this week, "Ward's" noted, consisted of three-day work at the De Soto-Chrysler plant and Imperial facility in Detroit. Dodge Truck in Detroit ran five days.

"Ward's" said this week's industry output dropped to 119,197 cars from 126,843 last week. Truck volume was placed at 24,525 compared to 24,475 last week.

International Auto Show Opens in May

America's first international auto exposition inviting the public to drive as well as view automobiles will be presented by

Roosevelt Raceway, Inc., at its stadium in Westbury, Long Island, on May 8.

Known as World Car Show '59, the nine-day exposition will feature automobiles of many nations. Visitors will have an opportunity to inspect the newest models on the exhibition floor and then test-drive demonstration cars on a half-mile track that is traffic-patterned by safety engineers.

A special hard-surface demonstration area, with a course designed for sports car driving, will also be made available.

Many special attractions will be presented as entertainment, and will include precision driving, demonstrations of safety on the highway, handling of cars in emergency situations, and sports car driving techniques.

Electric Output Lower Than in Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 31, was estimated at 13,151,000,000 kwh, according to the Edison Electric Institute. Output the past week was below the level of the preceding week.

For the week ended Jan. 31 output decreased by 243,000,000 kwh. below that of the previous week, but showed a gain of 913,000,000 kwh. above that of the comparable 1958 week.

Carloadings Drop 5.5% Below Preceding Week

Loading of revenue freight for the week ended Jan. 24 totaled 553,845 cars, the Association of American Railroads announced, a decrease of 32,409 cars or 5.5% below the preceding week. The total for the latest week reflected an increase of 2,757 cars or 0.5% above the corresponding week in 1958, but a decrease of 111,900 cars or 16.8% below the corresponding week in 1957.

Lumber Shipments Show 1.5% Gain

Lumber shipments of 472 mills reporting to the National Lumber Trade Barometer were 2.3% below production for the week ended Jan. 24. In the same week new orders of these mills were 11.7% above production. Unfilled orders of reporting mills amounted to 41% of stocks. For reporting softwood mills, unfilled orders were equivalent to 20 days' production at the current rate, and gross stocks were equivalent to 44 days' production.

For the year-to-date, shipments of reporting identical mills were 2.1% below production; new orders were 7.4% above production.

For the week ended Jan. 24, as compared with the preceding week, production of reporting mills was 0.3% below: shipments were 1.5% above; new orders were 3.4% above. Compared with the corresponding week in 1958, production of reporting mills was 2.4% above; shipments were 0.9% above; and new orders were 7.7% above.

Mild Rise in Business Failures Noted

Commercial and industrial failures increased moderately to 322 in the week ended Jan. 29 from 296 in the preceding week, reported Dun & Bradstreet, Inc. Despite this rise, casualties remained slightly below the 326 occurring in the similar week of last year. However, they were above the 320 in 1957 and 1% higher than the prewar level of 318 in 1939.

All of the week's upturn was concentrated among small failures, those involving liabilities under $5,000, which climbed to 58 from 30 in the previous week and 41 a year ago. On the other hand, failures with liabilities of $5,000 or more dipped to 264 from 266 last week and 285 in the comparable week of 1958. Thirty-one of the failing businesses had liabilities in excess of $100,000 as against 37 in the preceding week.

Retailing and commercial services accounted for all of the week-to-week rise. The toll among retailers increased to 159 from 131 and among service concerns to 31 from 20. In contrast, manufacturing failures fell to 49 from 61, wholesaling dipped to 31 from 32, and construction held steady at 52. Fewer businesses failed than last year in manufacturing, retailing and construction. But, service and wholesaling tolls exceeded their 1958 levels.

Six of the nine major geographic regions reported higher casualties during the week, with the most noticeable increase in the East North Central States, up to 57 from 37. Mild upturns prevailed in the Pacific States where failures rose to 60 from 54 and in the Middle Atlantic where they edged to 117 from 116. The only dips from the previous week appeared in the New England, West North Central, and Mountain States. While mortality remained below last year's level in four regions, five regions suffered more casualties than a year ago.

Wholesale Food Price Index Drops 0.5%

The wholesale food price index, as compiled by Dun & Bradstreet, Inc., stood at $6.20 on Jan. 27, a drop of 0.5% from the prior week's figure of $6.23. A year ago, however, the figure was $6.52, or 4.9% higher. As a matter of fact, the week of Jan. 27 marked the fourth successive week that the index was below that of the similar date in 1958.

Commodities quoted higher in the week ended Jan. 27 were flour, wheat, oats, barley, butter, cottonseed oil, and steers. Lower in price were corn, rye, lard, sugar, cocoa, eggs, potatoes, hogs, hams, and bellies.

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 Down Moderately

Reflecting lower prices on some grains, steers, rubber, and sugar, the general commodity price level declined moderately this week. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., fell to 274.84 on Feb. 2 from 275.18 in the prior week and was below the 276.21 of the comparable date a year ago.

Corn stocks reached record levels during the week and trading declined noticeably; prices were down substantially from a week earlier. There were fractional decreases in prices on oats and barley reflecting increased inventories and dull transactions. Weakness in the meal market and sluggish trading held soybean prices close to the prior week.

Wholesalers reported slight gains in wheat prices during the week. Although domestic buying was unchanged from the prior week, export purchases picked up somewhat. Wheat stocks were sufficient for both export and domestic demand.

Although domestic purchases of wheat showed little change from the prior week, prices moved up moderately. There was a slight rise in export buying of flour. Rice trading moved up and prices matched those of a week earlier. Grocers began to step up their orders for rice anticipating the Lenten season. A moderate rise in sales of rice to exporters occurred.

Sugar volume remained close to the prior week, but prices were down noticeably. Coffee supplies were light, but prices were steady; coffee trading was sustained at the level of a week earlier. Although the buying of cocoa expanded considerably at the end of the week, prices fell slightly.

Cattle receipts in Chicago rose substantially during the week and prices on steers were down somewhat; trading was down somewhat from the preceding week. There was a slight decline in hog trading, although the salable supply rose appreciably. Hog prices were unchanged from a week earlier. Wholesalers reported a dip in lamb prices reflecting a drop in trading. Lamb receipts were up slightly during the week.

Cotton trading on the New York Cotton Exchange was close to the prior week and prices were unchanged. Exports of cotton during the week ended last Tuesday were estimated at 82,000 bales, compared with 75,000 a week earlier. For the season through Jan. 27 cotton exports came to about 1,568,000 bales as against 2,810,000 during the comparable period a year ago.

Retail Trade Above Year Ago Despite Adverse Conditions

Although floods and bad weather in some areas held total retail trade below that of the prior week, volume in the period ended Jan. 28, was moderately higher than a year ago. The most noticeable year-to-year gains prevailed in women's apparel, furniture, and linens. There was another slight advance in sales of new passenger cars and volume remained over last year, according to scattered reports.

The total dollar volume of retail trade in the week ended Jan. 28 was 1 to 5% 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 +4 to +8; South Atlantic and East South Central +3 to +7; New England, Middle Atlantic, and Mountain +2 to +6; West North Central and West South Central +1 to +5; East North Central —6 to —2.

Attracted by continued clearance sales promotions, shoppers held their buying of women's sportswear, suits, and cloth coats close to the prior week and appreciable increases over last year occurred. While interest in men's apparel fell from a week earlier, sales matched those of a year ago; best-sellers were suits and topcoats. The call for children's clothing faltered during the week, but volume in boys' slacks and sports shirts and girls' sweaters and dresses remained close to last year.

Furniture store sales reported declined during the week, but over-all volume was up moderately from the comparable 1958 period; consumers were primarily interested in bedroom sets and upholstered merchandise. Interest in hi-fi sets and television sets moved up during the week, but purchases of refrigerators and automatic laundry equipment were sluggish. Total appliance volume was down slightly from last year. A slight year-to-year gain occurred in sales of linens, while the buying of draperies and floor-covering declined.

There was a slackening in food sales during the week. Declines in dairy products, fresh produce, fresh meat, and poultry offset increases in canned goods and some frozen food products.

Department Store Sales Up 5%

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended Jan. 24, advanced 5% above the like period last year. In the preceding week, Jan. 17, an increase of 5% was reported. For the four weeks ended Jan. 24 a gain of 4% was registered.

According to the Federal Reserve System department store sales in New York City for the week ended Jan. 24 showed a 1% increase from that of the like period last year. In the preceding week, Jan. 17, an increase of 4% was reported. For the four weeks ended Jan. 24 an increase of 1% was noted over the volume in the corresponding period in 1958, and for the 12 months of 1958 a 3% increase over same 12 months period of 1957.

Self-Education Needed, Too

"The committee will serve as a continuing Cabinet group to study the problem of how to maintain reasonable price stability as an essential basis for achieving a high and sustainable rate of economic growth. It will conduct such studies as it finds are needed of those factors affecting the stability of costs and prices that will help prevent price increases. It will also strive to build a better public understanding of the problem of inflation and of public and private policies that should be followed if cost and price increases are to be avoided."—While House announcement of a new committee on the prevention of inflation.

If it can promote a better understanding of the subject in government circles, the committee will serve the nation well.

Southern Co. Common Stock at $35.50 a Sh.

Public offering of 1,300,000 shares of The Southern Company common stock ($5 par value) is being made today (Feb. 5) by an underwriting group headed by Eastman Dillon, Union Securities & Co., Blyth & Co., Inc. and Equitable Securities Corp. The stock is priced at $35.50 per share.

The group purchased these shares from the utility holding company at competitive sale yesterday on its bid of $34.83 per share.

The Southern Company proposes to use the proceeds from the sale, together with treasury funds, for the payment of $6,000,000 of short-term loans and for the investment during 1959 of $38,000,000 in the common stocks of its four wholly-owned operating utility subsidiaries, namely Alabama Power Co., Georgia Power Co., Gulf Power Co. and Mississippi Power Co.

The subsidiaries will use the funds received from Southern for construction and acquisition of property. Alabama and Georgia will use some of the proceeds to increase their investment in Southern Electric Generating Co., which they jointly control. The total construction expenditures of the operating subsidiaries for the years 1959-61 are expected to be around $512,000,000, of which an estimated $188,413,000 will be spent in 1959.

For the 12 months ended Sept. 30, 1958 operating revenues of the subsidiaries amounted to $267,829,000, compared with $254,536,000 in the 1957 calendar year.

Consolidated net income of Southern was $37,555,000 for the 12 months to Sept. 30, 1958 which was equal to $1.77 per share on 21,102,250 shares of common stock outstanding. For 1957 consolidated net income was $34,823,000 or $1.65 per share.

Southern paid dividends amounting to $1.17½ per share during the 12 months ended Sept. 30, 1958. A quarterly dividend of 32½ cents per share was declared Jan. 19, 1959, payable March 6, 1959. The shares being offered will not receive this dividend.

Tennessee Gas Trans. Pfd. Placed Privately

It was announced on Feb. 3 that E. F. Hutton & Co. has arranged for the private placement of 42,210 shares of 5% cumulative convertible 2nd preferred stock of Tennessee Gas Transmission Co., with institutional investors.

The proceeds will not accrue to the Tennessee company, but will go to selling stockholders.

Felsette Opens Office

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert Felsette has opened offices at 1680 North Vine Street to engage in a securities business.

Joins Cruttenden, Podesta

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—William J. Niemann has joined the staff of Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest S. E.

Albert T. Smith

Albert Tate Smith passed away Jan. 28 at the age of 72. Mr. Smith had been a firm director of research for the New York Stock Exchange.

Beverly Bogert

Beverly Bogert passed away Jan. 30 at the age of 91. Mr. Bogert prior to his retirement in 1945 had been head of his own investment business in New York City.

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. No public offering expected.

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 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. Statement withdrawn Jan. 21.

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 Natural Gas Co. (2/26)**
Jan. 29 filed 486,325 shares of common stock (par $25) to be offered for subscription by common stockholders of record Feb. 26, 1959, at the rate of one new share for each 10 shares then held (with an oversubscription privilege); rights to expire on March 12. **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. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 26 at 165 Broadway, New York 6, N. Y.

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.

★ **American Ventures, Inc.**
Jan. 30 (letter of notification) 260,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—214 Independence Building, Colorado Springs, Colo. **Underwriter**—None.

★ **Armed Forces Investment Fund, Inc.**
Jan. 26 (letter of notification) 50,000 shares of class A common stock (par $1) to be offered to members of the armed services. **Price**—$2 per share. **Proceeds**—To be invested in real estate. **Office** — 4547 North Scottsdale Road, Scottsdale, Ariz. **Underwriter**—None.

Armstrong Uranium Corp.
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.

★ **Atlas Investment Co.**
Feb. 3 filed 50,000 shares of common voting stock (par $10). **Price** — $25 per share. **Proceeds** — To purchase additional contribution certificates of Great Basin Insurance Co. **Office**—704 Virginia Street, Reno, Nev. **Underwriter**—None.

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.

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 Preferred Life Insurance Co.**
Jan. 30 (letter of notiifcation) 100,000 shares of common stock (par $1.60). **Price**—$3 per share. **Proceeds**—For expenses incidental to operation of an insurance company. **Office**—Suite 619, E. & C. Bldg., Denver, Colo. **Underwriter**—Ringsby Underwriters, Inc., Denver 2, Colo.

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.

★ **Basic, Inc.**
Jan. 22 (letter of notification) an undetermined number of shares of common stock (par $1) to be purchased on the American and Midwest Stock Exchanges pursuant to Employees Stock Plan (not to exceed $50,000 per annum). **Office**—845 Hanna Building, Cleveland 15, Ohio. **Underwriter**—None.

● **Bellechasse Mining Corp. Ltd.**
Oct. 29 filed 800,000 shares of common stock (par $1). **Price**—Related to market price on 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. Statement effective Jan. 27.

★ **Black & Decker Manufacturing Co., Towson, Md.**
Jan. 20 (letter of notification) an undetermined number of shares of ($1 par) common stock (not to exceed $300,000 aggregate value per annum) to be issued pursuant to Employees Stock Purchase Plan. **Price**—90% of closing price on the New York Stock Exchange, Feb. 5, 1959. **Proceeds**—For working capital. **Underwriter**—None.

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.

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.

★ **Calvert Drilling, Inc. (2/24)**
Jan. 30 filed 100,012 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each five shares held on Feb. 24; rights to expire on March 10. **Price**—To be supplied by amendment. **Proceeds**—For development of producing properties and for general corporate purposes. **Office**—204 South Fair St., Olney, Ill. **Underwriter** — W. E. Hutton & Co., Cincinnati, O., and New York, N. Y.

★ **Canal-Randolph Corp.**
Jan. 28 filed 816,721 shares of common stock (par $1). The corporation proposes to offer to purchase shares of common and preferred stock of United Stockyards, and/or at the option of the holder, to exchange shares of United for shares of Canal-Randolph. The rate of exchange is to be supplied by amendment. **Price**—To be supplied by amendment. **Underwriters**—New York Hanseatic Corp., New York, and Rea Brothers Ltd., London, England. The former has agreed to acquire not in

excess of 162,500 shares of Canal-Randolph common; and the latter a maximum of 110,500 shares. **Offering**—Expected in last half of February.

● Carraco Oil Co., Ada., Okla. (2/9)
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.

★ Ceco Steel Products Corp.
Jan. 29 (letter of notification) 1,379 shares of common stock (par $10) to be offered to 68 employees selected by the board of directors of the company pursuant to an Optional Partial Stock Bonus Plan at the fair market value ($29.73 per share). **Proceeds**—None. **Office**—5601 W. 26th Street, Cicero, Ill. **Underwriter**—None.

Cemex of Arizona, Inc.
Nov. 17 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Address**—P. O. Box 1849, 3720 E 32nd Street, Yuma, Ariz. **Underwriter**—L. A. Huey Co., Denver, Colo.

Central Illinois 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 Feb. 17, 1959 (with an oversubscription privilege); rights to expire on 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. (2/10)
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 as of about Feb. 10, 1959; rights to expire on or about Feb. 26, 1959. **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 February.

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, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Commercial Investors Corp.
Nov. 28 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For investment. **Office**—450 So. Main St., Salt Lake City, Utah. **Underwriter**—Earl J. Knudson & Co., Salt Lake City, Utah.

★ Commonwealth Income Fund, Inc.
Feb. 2 filed (by amendment) an additional 700,000 shares of common capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—San Francisco, Calif.

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 on 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.

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.

★ Davis Finance Co.
Jan. 26 (letter of notification) $200,000 of 6% subordinated promissory notes. **Price**—At par (in denominations of $100 or any multiple thereof). **Proceeds**—For working capital. **Office**—401 E. Monroe Street, Springfield, Ill. **Underwriter**—None.

★ Dejay Stores, Inc.
Jan. 29 (letter of notification) 16,500 shares of common stock (par 50 cents) to be offered to certain employees under a restricted Stock Option Plan. **Price**—To be determined by Board of Directors, from time to time, but not less than 95% of fair market value of shares. **Proceeds**—Aggregate not to exceed $50,000 and will be used as part of working capital. **Office**—120 East 23rd St., New York 10, N. Y. **Underwriter**—None.

★ Delta Foods Corp.
Jan. 22 (letter of notification) $126,540 of debentures; 21,090 shares of class A non-voting common stock (par $8) and 3,515 shares of class B voting common stock (par one cent) to be offered in units of $36 of debentures, six shares of class A stock and one share of class B stock. **Price**—$85 per unit. **Proceeds**—For acquisition of real estate, plans and drawings for proposed plant and working capital. **Office**—4325 Alan Drive, Baltimore 29, Md. **Underwriter**—None. William H. Burton is President.

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.

★ Dixie Mining Co., Inc.
Jan. 26 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For acquisition, development, and exploration of mining properties, etc. **Address**—Box 46, Mineral Springs, N. C. **Underwriter**—None.

Continued on page 40

NEW ISSUE CALENDAR

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

Military Publishing Institute, Inc.______Common
(C. H. Abraham & Co., Inc.) $250,000

Rochester Gas & Electric Corp.______Common
(Offering to stockholders—to be underwritten by The First Boston Corp.) 280,000 shares

February 9 (Monday)

Carraco Oil Co.______Common
(Berry & Co.) $300,000

Saratoga Plastics, Inc.______Common
(Reilly, Hoffman & Co.) $27,000

February 10 (Tuesday)

Century Food Markets Co.______Common
(Offering to stockholders—underwritten by Janney, Dulles & Battles, Inc.) $590,560

Northern Pacific Ry.______Equip. Trust Ctfs.
(Bids noon EST) $4,850,000

February 11 (Wednesday)

Reynolds Metals Co.______Preferred
(Dillon, Read & Co., Inc.; Reynolds & Co., Inc.; and Kuhn, Loeb & Co.) $55,000,000

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

LEL, Inc.______Common
(Bertner Bros.) $150,000

Sire Plan of Elmsford, Inc.______Debentures & Pfd.
(Sire Plan Portfolios, Inc.) $500,000

Standard Manufacturing Corp.______Common
(Plymouth Securities Corp.) $300,000

U. S. Land Development Corp.______Common
(Aetna Securities Corp. and Roman & Johnson) $1,055,000

United States Pool Corp.______Common
(Ross, Lyon & Co., Inc.) $300,000

February 17 (Tuesday)

Public Service Co. of Indiana, Inc.______Bonds
(Bids 10:30 a.m. CST) $25,000,000

Southwestern States Telephone Co.______Common
(Dean Witter & Co.) 150,000 shares

February 18 (Wednesday)

Japan (Government of)______Bonds
(The First Boston Corp.) $30,000,000

United Control Corp.______Common
(Blyth & Co., Inc.) 200,000 shares

February 19 (Thursday)

Barden Corp.______Common
(Offering to stockholders—underwritten by Shearson, Hammill & Co.) 102,533 shares

Central Illinois Electric & Gas Co.______Common
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) 145,940 shares

February 20 (Friday)

Investors Research Fund, Inc.______Common
(Bache & Co.) $5,891,280

Southern Pacific Co.______Equip. Trust Ctfs.
(Bids noon CST) $7,125,000

February 23 (Monday)

Glass-Tite Industries, Inc.______Common
(Stanley Heller & Co.) $330,000

February 24 (Tuesday)

Calvert Drilling, Inc.______Common
(Offering to stockholders—underwritten by W. E. Hutton & Co.) 100,012 shares

Chicago, Rock Island & Pacific RR.______Equip. Tr. Ctfs.
(Bids noon CST) $5,130,000

Duquesne Light Co.______Bonds
(Bids to be invited) $10,000,000

Talcott (James), Inc.______Common
(F. Eberstadt & Co. and White, Weld & Co.) 150,000 shares

TV Junior Publications, Inc.______Com. & Warrants
(Charles Plohn & Co.) $375,000

February 25 (Wednesday)

Illinois Bell Telephone Co.______Bonds
(Bids to be invited) $50,000,000

Sawhill Tubular Products, Inc.______Common
(McDonald & Co. and Kidder, Peabody & Co.) 225,000 shares

February 26 (Thursday)

American Natural Gas Co.______Common
(Offering to stockholders—bids 11 a.m. EST) 486,325 shares

March 3 (Tuesday)

Pacific Power & Light Co.______Common
(Offering to stockholders—bids 8 a.m. PST) 207,852 shares

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 26 (Tuesday)

West Penn Power Co.______Bonds
(Bids to be received) $15,000,000

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

Continued from page 39

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.

★ Eastern Utilities Associates (3/4)
Jan. 30 filed 96,765 shares of common stock (par $10) to be offered for subscription by 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. **Proceeds**—To reduce bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co.; Stone & Webster Securities Corp. **Bids**—To be received up to 11 a.m. (EST) on March 4 at 49 Federal St., Boston, Mass.

★ Emerite Corp.
Jan. 19 (letter of notification) 250,000 shares of series 3 common stock (no par) to be offered for subscription by stockholders on the basis of one share of series 3 stock for each three shares of series 1 and/or series 2 common stock held; unsubscribed shares to other stockholders. Rights expire 30 days from offering date. **Price**—$1 per share. **Proceeds**—For working capital. **Office**—333 S. Farish Street, Jackson, Miss. **Underwriter** —None.

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.

★ Ero Manufacturing Co. (2/9)
Jan. 23 (letter of notification) 10,000 shares of common stock (par $1), not to exceed an aggregate of $100,000. **Price**—The closing price on the day preceding commencement of the offer. **Proceeds**—To go to a trust of which Howard F. Leopold is trustee. **Office** — 3180 North Lake Shore Drive, Chicago, Ill. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

● 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. Statement withdrawn Oct. 30, 1958.

★ Evans Grocery Co.
Jan. 19 (letter of notification) $28,661.50 principal amount of 6% 10-year debentures to be offered to employees pursuant to company's Employee Savings Plan. **Price** — At par. **Office** — 700 First Avenue, Gallipolis, Ohio. **Underwriter**—None.

Federated Corp. of Delaware
Dec. 29 filed $918,000 of 6% convertible subordinated debentures due 1968. The company proposes to offer $210,000 of the debentures to purchase the capital stock of Consumers Time Credit, Inc., a New York company; $442,000 of the debentures in exchange for Consumers debentures; and $226,000 of the debentures in exchange for the outstanding 12% debentures of three subsidiaries of Federated. **Office**—1 South Main Street, Port Chester, N. Y. **Underwriter**—None.

Federated Finance Co.
Nov. 17 (letter of notification) $300,000 of 10-year 6% senior subordinated debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For working capital, to make loans, etc. **Office**—2104 "O" St., Lincoln, Neb. **Underwriters** — J. Cliff Rahel & Co. and Eugene C. Dinsmore, Omaha, Neb.

Finance For Industry, Inc.
Dec. 16 filed 200,000 shares of class A common stock. **Price**—At par ($1.50 per share). **Proceeds**—For working capital. **Office**—508 Ainsley Bldg., Miami, Fla. **Underwriter** — R. F. Campeau Co., Penobscot Bldg., Detroit, Mich.

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.

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.

★ Glass-Tite Industries, Inc. (2/23-27)
Jan. 30 filed 110,000 shares of common stock. **Price**—$3 per share. **Proceeds**—To retire $35,000 of 6% preferred stock; for research, development and improvement of new and present products; for purchase of a high temperature atmosphere furnace and additional test equipment and the balance will be added to working capital and be used for other corporate purposes. **Office** — 88 Spectable St., Cranston, R. I. **Underwriter** — Stanley Heller & Co., New York.

★ Glaxo Laboratories Ltd. (England)
Jan. 30 filed 60,000 American depositary receipts for ordinary stock. **Depositary**—Guaranty Trust Co. of New York.

Government Employees Variable Annuity Life Insurance Co.
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company 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 (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 (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 (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 were to expire on Feb. 27, 1959. **Price**—$3 per share. **Proceeds**—For capital and surplus. **Office**—Government Employees Insurance Bldg., Washington, D. C. **Underwriters** — Johnston, Lemon & Co., Washington, D. C.; Eastman Dillon, Union Securities & Co., New York; and Abacus Fund, Boston, Mass. **Offering**—Indefinitely postponed.

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 98,750 shares of Grain Elevator stock on the basis of one warrant to purchase one-eighth share of Grain Elevator stock for each share of National Alfalfa common held on 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.
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. **Offering**—Expected today (Feb. 5).

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 18 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.

★ Hesco, Inc.
Jan. 30 (letter of notification) 1,687 shares of common stock (par $10). **Price**—$14 per share. **Proceeds**—For working capital. **Office**—525 W. McKinley Avenue, Milwaukee 12, Wis. **Underwriter**—None.

Highway Trailer Industries, Inc.
Nov. 24 filed 473,000 outstanding shares of common stock (par 25 cents). **Price**—At prices generally prevailing on the American Stock Exchange. **Proceeds** — To selling stockholders. **Office**—250 Park Avenue, N. Y. **Underwriter**—None.

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. Statement effective Oct. 11, 1958.

● 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., with a 14-day standby. Statement effective Feb. 3.

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. Statement withdrawn Jan. 27.

★ Illinois Bell Telephone Co. (2/25)
Feb. 4 filed $50,000,000 first mortgage bonds, series F, 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.

★ Industrial Finance & Thrift Corp.
Jan. 21 (letter of notification) $250,000 of 20-year 6% series A subordinated debentures to be issued in denominations of $100. **Price** — At par. **Proceeds** — For working capital. **Office**—339 Carondelet Street, New Orleans, La. **Underwriter**—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. (2/20)
Jan. 9 filed 490,940 shares of common stock. **Price**—$12 per share. **Proceeds**—For investment. **Office**—922 La-

guna 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.

★ **Jamaica (Government of)**
Feb. 4 filed $10,000,000 of sinking fund external loan bonds due March 1, 1974 and $2,500,000 serial external loan bonds due semi-annually Sept. 1, 1960 through March 1, 1964, inclusive. **Price** — To be supplied by amendment. **Underwriter**—Kuhn, Loeb & Co. **Offering**—Expected late in February.

★ **Japan (Government of) (2/18)**
Jan. 29 filed $30,000,000 of external loan bonds, dated Jan. 15, 1959. These consist of $3,000,000 of three-year 4½% bonds, due Jan. 15, 1962; $5,000,000 of four-year 4½% bonds due Jan. 15, 1963; $7,000,000 of five-year 4½% bonds, due Jan. 15, 1964; and $15,000,000 of 15-year 5½% sinking fund bonds, due Jan. 15, 1974. **Price**—To be supplied by amendment. **Proceeds**—To be added to the Government's foreign exchange reserves. **Underwriter**—The First Boston Corp., New York.

● **Jet-Aer Corp., Paterson, N. J.**
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. **Offering**—Expected any day.

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. Statement effective Jan. 23.

★ **Kip, Inc.**
Jan. 30 (letter of notification) 11,936 shares of common stock (no par). **Price**—$25 per share. **Proceeds**—For working capital. **Address**—Old Harbor Road, Chatham, Mass. **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.

★ **Lefcourt Realty Corp.**
Jan. 29 filed 3,492,000 shares of common stock, of which 2,622,000 shares are to be offered in exchange for all of the common stock of Desser & Garfield, Inc., and D. G. & R., Inc.; 750,000 shares will be used for the exercise of an option by the company to purchase from Big Mound Trail Corp. some 3,784.9 acres of land; and the remaining 120,000 shares are to be sold for the account of a selling stockholder. **Underwriter**—None.

● **LEL, Inc. (2/16-20)**
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.

★ **Loomis-Sayles Mutual Fund, Inc.**
Jan. 29 filed (by amendment) an additional 150,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Boston, Mass.

LuHoc Mining Corp.
Sept. 29 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds** — For the acquisition of properties under option and for various geological expenses, test drilling, purchase of equipment, and other similar purposes. **Offices**—Wilmington, Del., and Emporium, Pa. **Underwriter**—None.

● **M. C. A. Credit Co., Inc., Miami, Fla.**
Oct. 6 filed 100,000 shares of common stock. **Price**—$5 per share. **Proceeds**—To reduce current indebtedness to Walter E. Heller & Co. **Underwriter**—Plymouth Bond & Share Corp., Miami, Fla. Statement withdrawn Jan. 14.

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.

★ **McAleer (E. J.) & Co., Inc. (Mrs. Paul's Kitchens)**
Jan. 22 (letter of notification) $50,000 of 5%-7% series A bonds due July 1, 1962. **Price**—At par. **Proceeds**—For working capital. **Office**—5830 Henry Avenue, Philadelphia, Pa. **Underwriter**—None.

Merchants Petroleum Co.
Oct. 8 (letter of notification) 159,395 shares of common stock (par 25 cents) being offered for subscription by stockholders of record Nov. 24, 1958 on the basis of one new share for each five shares held; rights to expire Jan. 15, 1959 (with an oversubscription privilege). **Price**—$1.40 per share. **Proceeds** — To reduce bank loan; to increase working capital and for general corporate purposes. **Office**—617 W. 7th Street, Los Angeles, Calif. **Underwriter**—None.

Mid-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. (2/6)**
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 Metals, Inc.**
Jan. 16 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—1936 N. Lombard St., Portland, Ore. **Underwriter**—Kent Merrill Lielsen, an officer and director.

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 Finance Co., Detroit, Mich.**
Jan. 27 (letter of notification) 25,000 shares of 6¼% cumulative preferred stock (with common stock purchase warrants attached). **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office** — 1307 Industrial Bldg., Detroit 26, Mich. **Underwriter**—None.

★ **National Telefilm Associates, Inc.**
Jan. 30 filed 56,000 outstanding shares of common stock. The company is advised that Family Broadcasting Corp. (1) will transfer 22,222 shares in satisfaction of an indebtedness in the principal amount of $200,000, (2) will offer 29,306 such shares in exchange for its outstanding 20,933 class A common shares, and (3) has no present plans for the disposition of the remaining 4,472 NTA shares plus any of said 29,306 NTA shares not exchanged with its class A common stockholders.

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. **Offering**—Expected in March.

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.
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. **Offering**—Expected this week.

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.

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 Gas & Electric Co.**
Feb. 2 filed $62,000,000 of interests in company's Savings Fund Plan for Pacific Gas employees, together with 1,000,000 shares of common stock which may be acquired pursuant to the plan.

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 up to 8 a.m. (PST) on March 3.

Continued on page 42

Continued from page 41

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.

★ **Piedmont Natural Gas Co., Inc.**
Feb. 4 filed 56,301 shares of common stock to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—White, Weld & Co., New York.

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 Electronics Corp.**
Jan. 26 (letter of notification) 25,000 shares of common stock (par $1). **Price**—$7.87½ per share. **Proceeds**—To go to selling stockholders. **Office**—2235 South Carmelina Avenue, Los Angeles 64, Calif. **Underwriter**—Neary, Purcell & Co., Los Angeles, Calif.

● **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. Statement withdrawn Jan. 5.

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.

★ **Prudential Enterprises, Inc.**
Jan. 15 (letter of notification) 200,000 shares of common stock (par one cent) of which 170,000 shares are to be sold by the company and 30,000 shares by a selling stockholder. **Price** — $1.50 per share. **Proceeds** — For general expansion and working capital. **Office**—1108 16th Street, N.W., Washington 6, D. C. **Underwriter**—John C. Kahn Co., Washington, D. C.

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., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); 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.

★ **Raindor Gold Mines, Ltd.**
Jan. 28 (letter of notification) 290,000 shares of common stock (par $1). **Price**—$1 per share. **Proceeds**—To prove up ore and for road and camp construction. **Office**—At Suite 322, 200 Bay St., Toronto, Ont., Canada, and c/o T. Arnold, Wilson Circle, Rumson, N. J. **Underwriter**—Sano & Co., New York, N. Y.

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.

★ **Reichhold Chemicals, Ltd. (England)**
Jan. 30 filed 80,000 American depositary receipts for ordinary registered shares. **Depositary**—Guaranty Trust Co. of New York.

● **Remo Corp., Orlando, Fla.**
Sept. 22 filed 100,000 shares of class A common stock **Price**—To be supplied by amendment. **Proceeds**—For working capital **Underwriter** — Citrus Securities Co. Orlando, Fla. Statement withdrawn Jan. 14.

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.

★ **Richmond Cedar Works Manufacturing Corp.**
Jan. 14 (letter of notification) $171,500 of six-year 5.6% convertible subordinated debentures to be offered to common stockholders of record Jan. 27, 1959 on the basis of $100 of debentures for each 100 common shares or fractional part thereof held; warrants expire Feb. 16, 1959. **Price**—At par. **Proceeds**—To purchase materials and supplies, equipment, etc. **Address**—P. O. Box 2407, Richmond 18, Va. **Underwriter**—None.

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 **Price**—Of debentures, at par (in units of $100 each); and of stock, $1 per share. **Proceeds** — For investments and working capital. **Office**—Alexandria, Va. **Underwriter**—None. Statement withdrawn Dec. 3.

★ **Routh Robbins Investment Corp.**
Jan. 29 filed 475,000 shares of common stock. **Price**—$1 per share. **Proceeds** — For investments and working capital. **Business** — Real estate investments. **Office** — Alexandria, Va. **Underwriter**—None.

★ **Royal McBee Corp.**
Jan. 26 (letter of notification) 1,867 shares of common stock (par $1) to be awarded to sales personnel, distributors, dealers, and service personnel, pursuant to a sales contest. **Office**—Westchester Ave., Port Chester, N. Y. **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. (2/9-13)**
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.

★ **Sawhill Tubular Products, Inc. (2/25)**
Jan. 30 filed 225,000 outstanding shares of common stock. **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—27 Council Ave., Wheatland, Pa. **Underwriters**—McDonald & Co., Cleveland, Ohio; and Kidder, Peabody & 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 American Industry, Inc.**
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. **Former Name**—Shares in America, Inc.

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.

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.

● **Southwestern States Telephone Co. (2/17)**
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.

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.

● **Standard Manufacturing Corp. (2/16)**
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.

★ **Storrowton Musical Theatre Co.**
Jan. 26 (letter of notification) limited partnership agreements in an amount not to exceed $150,000 in units of $500 each. **Proceeds**—To put on shows. **Underwriter**—None. **General Partners**—Walrath J. Beach, 106 Longhill St., Springfield, Mass. and D. Robert Gleason, Wilton Drive, Wilbraham, Mass.

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

★ **Talcott (James), Inc. (2/24-25)**
Feb. 4 filed 150,000 shares of common stock (par $9). **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes. **Underwriters**—F. Eberstadt & Co. and White, Weld & Co., both of New York.

★ **Taos Minerals Co., Inc.**
Jan. 29 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Address** — P. O. Box 13, North Pueblo Road, Taos, N. M. **Underwriter**—None.

● **TV Junior Publications Inc. (2/24)**
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. 3 filed 23,232 shares of capital stock (par $6.66⅔) being 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. The offer will expire at 3:30 p.m. (EST) on March 2, unless it 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.

● **United Control Corp., Seattle, Wash. (2/18)**
Jan. 28 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To re-

duce 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 $... **Price** — $10 per share. **Proceeds** — For acquisition o operating properties, real and/or personal, includin office furniture, fixtures, equipment and office space, b lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None Myrl L. McKee of Portland, Ore., is President.

United Security Life & Accident Insurance Co.
Aug. 22 filed 120,000 shares of class A common stock **Price**—$3 per share. **Proceeds**—To provide the reserves required to be held in life and accident insurance policies, and to pay the necessary expenses in producing insurance. **Office**—Louisville, Ky. **Underwriter**—None Edmond M. Smith, is President.

United States 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. (2/16-20)**
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.

★ **United Tourist Enterprises, Inc.**
Jan. 28 filed 4,500,000 shares of class A common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For development and construction of a "Western Village" and for construction of a Grand Estes Hotel and Convention Hall, to be constructed in the immediate vicinity of Estes Park Chalet, located in Larimer County, Colo. **Office** — 330 South 39th Street, Boulder, Colo. **Underwriter**—Mid-West Securities Corp., Littleton, Colo.

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.

★ **Venture Options, Inc.**
Jan. 27 (letter of notification) 60,000 shares of common stock (no par). **Price**—$5 per share. **Proceeds**—To be deposited with member firms of the New York Stock Exchange to guarantee Puts and Calls written by the company and to cover expenses. **Office**—730 Fifth Ave., New York 19, N. Y. **Underwriter**—Barsh & Co., 663 Main Ave., Passaic, N. J.

● **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. Registration effective Feb. 3. Offering now being made.

★ **Western Gas Service Co.**
Jan. 29 filed 104,500 shares of common stock of which it is proposed to offer 4,500 shares for subscription by certain employees. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, will be used to pay a short-term bank loan of $5,700,000. **Office**—9065 Alameda Avenue, El Paso, Texas. **Underwriter**—Underwood, Neuhaus & Co., Inc., Houston, Texas.

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.

★ **Wolverine Power Corp.**
Feb. 2 filed voting trust certificates for 40,000 shares of common stock. **Voting Trustees** — Charles W. Greenough (of Boston, Mass.) and three other individuals.

★ **Wytex Oil Corp.**
Feb. 2 (letter of notification) 17,400 shares of class A stock (par $1) to be issued to holders of debentures upon exercise of warrants until Dec. 1, 1964 at the rate of 30 shares for each $500 of debentures. **Price**—$15 per share. **Proceeds** — For general corporate purposes, including payment of drilling expenses, acquisition of royalty and reduction of debt. **Office**—90 State St., Albany, N. Y. **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.

★ **All American Markets, Downey, Calif.**
Jan. 30 it was reported that the company plans a common stock offering. **Business**—Chain of grocery stores. **Underwriter**—J. Barth & Co., San Francisco, Calif. **Offering**—Expected sometime in April.

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.

● **Broad Street Trust Co., Philadelphia, Pa.**
Feb. 2 it was announced that the Bank is offering 32,000 additional shares of common stock (par $10) to its common stockholders of record Jan. 21, 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.**
Jan. 13 stockholders approved the sale of an additional 38,503 shares of capital stock to stockholders of record Feb. 20, 1959, on the basis of one new share for each five shares then held. **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.

★ **Chicago, Rock Island & Pacific RR. (2/24)**
Bids will be received by the company at 139 West Van Buren St., Chicago 5, Ill., up to noon (CST) on Feb. 24 for the purchase from it of $5,130,000 equipment trust certificates maturing semi-annually from Aug. 15, 1959 to Feb. 15, 1974, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Columbia Gas System, Inc.
Dec. 1 it was reported that the company may issue and sell additional common stock in the first half of 1959. **Proceeds**—To repay outstanding bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, White, Weld & Co., Shields & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co.

★ **De Jur-Ansco Corp., New York City**
Jan. 27 it was reported that the company is planning the sale of convertible debentures and common stock, but details have not yet been worked out. **Business**—Manufacturer and distributor of light meters, cameras, etc. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill.

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

★ **FXR, Inc., Woodside, N. Y.**
Feb. 2 it was announced that company (formerly F & R Machine Works) is considering some additional financing, but types of securities to be offered have not as yet been determined.

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.

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.

★ **Jersey Central Power & Light Co.**
Jan. 12 it was reported that company is contemplating the sale of about $7,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Lehman Brothers and Blair & Co., Inc., (jointly). **Offering**—Expected late this summer.

★ **Jubilee Records**
Feb. 2 it was announced that the company plans the issuance and sale of $1,500,000 of convertible preferred stock. **Proceeds**—For expansion. **Office**—1721 Broadway, New York, N. Y. **Underwriter**—Not yet named.

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).

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 late in February or early 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);

Continued on page 44

Continued from page 43

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

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. **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 up to noon (EST) on Feb. 10 for the purchase from it of $4,850,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Our River Electric Co., Luxemburg
Dec. 22 it was reported that this company plans to offer $10,000,000 of bonds. **Underwriters**—The First Boston Corp. and Kuhn, Loeb & Co., both of New York.

★ Penn-Texas Corp.
Jan. 28, Alfons Landa, President, said the company may offer its stockholders $7,000,000 additional capital stock through subscription rights. **Purpose**—To acquire Fairbanks, Morse & Co. common stock. **Underwriter**—Bear, Stearns & Co., New York.

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 Electric & Gas Co. (6/2)
Jan. 30 it was reported that the company plans sale of $30,000,000 to $40,000,000 debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Tentatively expected to be received on June 2.

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.

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 Indies Federation (Jamaica)
Feb. 2 it was announced that Federation is contemplating some new financing on the American market. **Underwriter**—Kuhn, Loeb & Co., New York. **Registration**—Expected this week.

● West Penn Power Co. (5/26)
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 on May 26.

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's Report

With the books closed on its latest exchange offering involving some $15 billion of maturing issues, the Treasury today is taking stock of the response of investors to terms fixed for refinancing that portion of its debt.

Results should be available within a couple of days and it will be interesting to see just how the market greeted the one-year 3¾% certificate and the three-year 4% note offered up for exchange.

It is a long time since Treasury officials have been stirred up quite as they were by reports purporting to come from an official, expressing fear of sizable attrition. The Treasury came out with a flat denial that any official had expressed such a view.

In the interval since the announcement of the type of issues projected in exchange for the maturing debts, the government market has been behaving quite well. There has not been any serious selling pressure in evidence and the list has been mixed at worst.

With this enormous operation out of the way, the Treasury can relax for a couple of weeks at least, or until some time in April when it probably will be back in the market with a new offering to obtain an undisclosed amount of cash.

Clear Track Ahead

Next week presents one of those almost unbelievable situations where only a single issue of any consequence is up for marketing and this one a senior equity.

Reynolds Metals Co. has 550,000 shares of second preferred, convertible, set for marketing to reimburse the treasury for funds used to defray the cost of its acquisition of ordinary stock of British Aluminium Co., Ltd., in the fight to block Aluminum Co. of America from entering into the company.

So, all in all, this would present a splendid opportunity for one or more of the issues which have been held in abeyance to make its appearance. Several such issues are in a position to be revived quickly.

Technical Knockout

What appeared for a spell to be the winning bid for Southern Co.'s 1,350,000 shares of common stock, put up at auction yesterday, was subsequently ruled out "on a technicality."

The apparently successful syndicate had entered a bid of $34.93 a share for the big equity offering and probably was engaged in preliminary work on reoffering the stock upon clearance of the deal by the Securities and Exchange Commission when the "technicality" was announced.

The stock seemingly was destined to be taken down by a second group which had bid $34.83 a share and prepared to reoffer publicly at $35.50 with a 40-cent allowance to dealers and a reallowance of one-eighth.

Joins Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

MT. VERNON, Ill. — Henry E. Reichert has become associated with Fusz-Schmelzle & Co., Inc., 1123 West Broadway. Mr. Reichert was formerly with Quail & Co., Inc., of Davenport, and prior thereto with Negley, Jens & Rowe and Allan Blair & Company of Chicago.

Railroad Securities

Louisville & Nashville

Until late in the year 1958, earnings of Louisville & Nashville fell short of covering the regular $1.25 quarterly dividend. This was caused by a drop in revenues and no reduction of any consequence in expenses. The latter was mainly due to the necessity of completing improvements already underway. However, at the present time the road seems to be in a position to benefit from the improvements, particularly with traffic showing some gain.

Even though traffic continues to run under the year earlier period, though not to the extent of previous months, the road is bringing down a larger proportion of gross revenues to net operating income. If carloadings should show further gains, then net income likely could expand rapidly despite lower equipment and joint facility credits, which are an important income factor.

L. & N. has made large additions to its car fleet, recently placing an order for 3,000 cars which may be followed by additional orders later this year if traffic shows further increases. Improvement in coal loadings and increased movement of L. & N. cars on foreign lines should bring about a good recovery and also increase rentals from cars that go off line with the coal. It is believed the road will continue its improvement policy and, consequently, maintenance expenses probably will continue at a fairly high level. However, part of this will be absorbed by lower Federal income taxes.

Gross revenues for the first 11 months of 1958 were off 8% from the like 1957 period and, in spite of a late start in cutting expenses, operating costs were cut 8.3%. The $15,500,000 cut in expenditures, along with a $2,900,000 reduction in taxes, completely offset the entire $18,000,000 loss in revenues. However, the sharp drop in equipment and joint facility credits from $14,100,000 in the first 11 months of 1957 to $8,500,000 in 1958 was practically the difference in profits for the period.

Net income for the first 11 months last year amounted to $11,329,000, equal to $4.65 a share as compared with $16,571,000 or $6.80 a share in the like 1957 period. For the full year, it is estimated earnings were under $6 a share, just slightly more than the $5 annual dividend.

As of Oct. 31, 1958, cash and cash equivalents amounted to $34,400,000, exclusive of $27,000,000 Government bonds carried in noncurrent investment accounts. Total current liabilities on that date were $29,500,000. Net working capital was $51,300,000 as compared with $56,000,000 at the end of 1957. The $16,400,000 cash flow from depreciation is substantially above the $10,400,000 equipment and other debt due over the next 12 months.

Form Oil Properties Inc.

(Special to THE FINANCIAL CHRONICLE)

MATTOON, Ill.—Oil Properties Inc. has been formed with offices at 120½ South Seventeenth Street, to engage in a securities business. Richard R. Gray is President.

Universal Oil Common Stock at $25 Per Share

Lehman Brothers, Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Smith, Inc. are managers of a nation-wide group of 256 underwriters who will offer today (Feb. 5) 2,900,000 shares of common stock of Universal Oil Processes, Inc., a new company organized by the three managing underwriters to acquire the assets and business of Universal Oil Products Co. The stock is priced at $25 a share.

The proceeds from the sale of the stock will be used 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. The American Chemical Society is presently entitled to receive the net income from such trust fund to be used for advanced scientific education and fundamental research in the petroleum field.

The corporate title of Universal Oil Processes, Inc. shortly will be changed to Universal Oil Products Co.

The original corporation, which commenced business in 1914, was formed to acquire patents to a thermal cracking process which represented a considerable advance in the methods of refining oil. The process is no longer a source of royalty income but the company maintained and improved its position through the development of new processes. Currently the principal royalty-producing processes licensed by the company are the UOP Platforming, Fluid Catalytic Cracking, UOP Catalytic Condensation, UOP "HF" Alkylation and Udex.

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. 8	§79.7	*76.9	73.6	54.0
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 8	§2,256,000	*2,178,000	2,085,000	1,457,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 23	7,193,535	7,087,285	7,128,835	6,923,185
Crude runs to stills—daily average (bbls.)	Jan. 23	¶8,311,000	8,129,000	8,165,000	7,639,000
Gasoline output (bbls.)	Jan. 23	28,101,000	28,488,000	29,105,000	26,449,000
Kerosene output (bbls.)	Jan. 23	2,465,000	3,234,000	2,621,000	2,397,000
Distillate fuel oil output (bbls.)	Jan. 23	15,009,000	14,751,000	14,208,000	12,543,000
Residual fuel oil output (bbls.)	Jan. 23	7,779,000	7,629,000	7,987,000	7,424,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 23	192,583,000	190,748,000	181,635,000	203,256,000
Kerosene (bbls.) at	Jan. 21	21,388,000	23,235,000	26,155,000	24,051,000
Distillate fuel oil (bbls.) at	Jan. 23	100,402,000	*109,095,000	130,410,000	128,181,000
Residual fuel oil (bbls.) at	Jan. 23	59,924,000	59,368,000	61,629,000	57,810,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 24	553,845	586,254	431,938	551,088
Revenue freight received from connections (no. of cars)	Jan. 24	524,800	534,064	488,876	539,203
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 29	$418,223,000	$388,080,000	$273,226,000	$389,731,000
Private construction	Jan. 29	231,413,000	181,677,000	61,992,000	139,953,000
Public construction	Jan. 29	186,810,000	206,403,000	211,234,000	249,778,000
State and municipal	Jan. 29	125,952,000	109,377,000	147,107,000	215,818,000
Federal	Jan. 29	60,858,000	97,026,000	64,127,000	33,960,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 24	8,005,000	8,290,000	6,215,000	8,285,000
Pennsylvania anthracite (tons)	Jan. 24	442,000	587,000	450,000	537,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 24	105	116	205	100
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 31	13,151,000	13,394,000	12,364,000	12,238,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 29	322	296	169	326
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 27	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Jan. 27	$66.41	$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Jan. 27	$42.50	$41.17	$39.83	$35.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 28	28.675c	28.625c	28.600c	24.325c
Export refinery at	Jan. 28	29.025c	27.950c	27.150c	19.950c
Lead (New York) at	Jan. 28	12.000c	13.000c	13.000c	13.000c
Lead (St. Louis) at	Jan. 28	11.800c	12.800c	12.800c	12.800c
‡Zinc (delivered) at	Jan. 28	12.000c	12.000c	12.000c	10.500c
Zinc (East St. Louis) at	Jan. 28	11.500c	11.500c	11.500c	10.000c
Aluminum (primary pig. 99%) at	Jan. 28	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Jan. 28	100.125c	99.750c	99.000c	93.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 3	85.54	85.13	86.19	93.65
Average corporate	Feb. 3	89.64	89.64	90.20	95.92
Aaa	Feb. 3	93.67	93.67	94.56	102.80
Aa	Feb. 3	92.20	92.35	93.08	99.52
A	Feb. 3	89.64	89.78	89.78	96.23
Baa	Feb. 3	83.53	83.53	83.91	86.24
Railroad Group	Feb. 3	88.13	88.13	88.27	91.62
Public Utilities Group	Feb. 3	89.37	89.37	90.06	97.94
Industrials Group	Feb. 3	91.62	91.62	92.35	98.41
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 3	3.88	3.92	3.81	3.04
Average corporate	Feb. 3	4.44	4.44	4.40	4.01
Aaa	Feb. 3	4.16	4.16	4.10	3.58
Aa	Feb. 3	4.26	4.25	4.20	3.78
A	Feb. 3	4.44	4.43	4.43	3.99
Baa	Feb. 3	4.90	4.90	4.87	4.69
Railroad Group	Feb. 3	4.55	4.55	4.54	4.30
Public Utilities Group	Feb. 3	4.46	4.46	4.41	3.88
Industrials Group	Feb. 3	4.30	4.30	4.25	3.85
MOODY'S COMMODITY INDEX	Feb. 3	384.3	385.3	386.6	393.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 24	289,474	269,666	††255,176	236,717
Production (tons)	Jan. 24	292,534	305,778	††295,919	266,581
Percentage of activity	Jan. 24	91	93	††91	87
Unfilled orders (tons) at end of period	Jan. 24	378,182	379,895	††364,444	348,266
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 30	111.41	111.55	110.38	*100.84
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 10	3,033,910	2,275,860	2,856,000	1,457,630
Short sales	Jan. 10	485,450	352,000	441,370	338,500
Other sales	Jan. 10	2,695,430	1,927,030	2,362,540	1,478,550
Total sales	Jan. 10	3,180,880	2,279,030	2,803,910	1,817,050
Other transactions initiated on the floor—					
Total purchases	Jan. 10	549,150	425,310	555,110	324,610
Short sales	Jan. 10	43,000	35,600	40,800	57,900
Other sales	Jan. 10	538,910	384,440	500,640	380,510
Total sales	Jan. 10	581,910	420,040	541,440	438,410
Other transactions initiated off the floor—					
Total purchases	Jan. 10	893,850	772,710	883,490	524,969
Short sales	Jan. 10	137,740	130,840	200,860	174,570
Other sales	Jan. 10	1,029,020	705,307	1,091,355	528,602
Total sales	Jan. 10	1,166,760	836,147	1,292,215	703,172
Total round-lot transactions for account of members—					
Total purchases	Jan. 10	4,476,910	3,473,880	4,294,600	2,307,209
Short sales	Jan. 10	666,190	518,440	683,030	570,970
Other sales	Jan. 10	4,263,360	3,016,777	3,954,535	2,387,662
Total sales	Jan. 10	4,929,550	3,535,217	4,637,565	2,958,632
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. 10	2,456,705	1,553,248	1,746,758	1,485,834
Dollar value	Jan. 10	$131,390,700	$83,646,908	$83,249,999	$60,550,994
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 10	1,965,142	1,436,963	1,780,255	904,425
Customers' short sales	Jan. 10	8,707	5,683	9,568	24,745
Customers' other sales	Jan. 10	1,956,435	1,431,280	1,770,687	879,680
Dollar value	Jan. 10	$101,409,733	$71,023,101	$84,157,800	$38,727,811
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 10	494,960	409,010	603,020	201,690
Short sales	Jan. 10	------	------	------	------
Other sales	Jan. 10	494,960	409,010	603,020	201,690
Round-lot purchases by dealers—					
Number of shares	Jan. 10	936,740	530,290	585,930	723,910
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. 10	783,230	629,810	867,120	945,650
Other sales	Jan. 10	21,003,020	14,917,080	19,296,480	10,738,300
Total sales	Jan. 10	21,786,250	15,546,890	20,163,600	11,683,950
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 27	119.5	119.6	119.3	118.7
Farm products	Jan. 27	92.0	92.3	91.1	94.3
Processed foods	Jan. 27	109.0	109.2	108.6	108.8
Meats	Jan. 27	102.8	103.3	102.7	99.7
All commodities other than farm and foods	Jan. 27	127.4	127.4	127.2	125.9

*Revised figure. ¶Includes 1,066,000 barrels of foreign crude runs. §Based on new annual capacity of 147,633,670 tons as of Jan. 1, 1959, as against Jan. 1, 1958 basis of 140,742,570 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. ††Week ended Dec. 20, 1958.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of September	124,714	125,416	129,278
Stocks of aluminum (short tons) end of Sept.	123,049	145,205	175,085
AMERICAN GAS ASSOCIATION—For month of November:			
Total gas sales (M therms)	6,455,800	5,523,300	6,672,600
Natural gas sales (M therms)	6,268,300	5,393,200	6,483,900
Manufactured gas sales (M therms)	13,700	9,900	17,500
Mixed gas sales (M therms)	173,800	120,200	171,200
AMERICAN HOME LAUNDRY MANUFACTURERS ASSOCIATION—Month of November:			
Total home laundry appliance factory unit sales (domestic)	493,259	607,304	424,713
Combination washer-dryers	17,725	22,843	13,762
Washers	333,035	404,056	267,796
Dryers	142,499	180,405	143,155
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of November	8,582,000	*8,817,778	8,392,919
Shipments of steel products (net tons)—Month of October	6,224,540	5,386,292	6,550,690
AMERICAN PETROLEUM INSTITUTE—Month of October:			
Total domestic production (barrels of 42 gallons each)	241,378,000	236,961,000	237,011,000
Domestic crude oil output (barrels)	216,304,000	212,972,000	212,106,000
Natural gasoline output (barrels)	25,039,000	23,955,000	24,888,000
Benzol output (barrels)	35,000	34,000	17,000
Crude oil imports (barrels)	28,885,000	29,927,000	32,718,000
Refined product imports (barrels)	19,594,000	*19,467,000	15,615,000
Indicated consumption domestic and export (barrels)	283,684,000	*264,220,000	280,933,000
Increase all stocks (barrels)	6,173,000	*22,135,000	4,411,000
AMERICAN RAILWAY CAR INSTITUTE—Month of November:			
Orders for new freight cars	6,295	781	1,070
New freight cars delivered	1,803	1,591	7,142
Backlog of cars on order and undelivered (end of month)	27,962	23,670	59,194
AMERICAN TRUCKING ASSOCIATION, INC.—Month of November:			
Intercity general freight transported by 368 carriers (in tons)	4,913,545	5,853,728	4,874,375
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of December	16,446	12,090	10,575
COAL EXPORTS (BUREAU OF MINES)—Month of October:			
U. S. exports of Pennsylvania anthracite (net tons)	252,489	235,256	329,344
To North and Central America (net tons)	173,730	191,304	200,705
To Europe (net tons)	72,800	35,123	125,881
To Asia (net tons)	5,594	8,829	2,758
To South America (net tons)	25	------	------
Undesignated	340	------	------
COAL OUTPUT (BUREAU OF MINES)—Month of December:			
Bituminous coal and lignite (net tons)	38,230,000	33,810,000	37,163,000
Pennsylvania anthracite (net tons)	2,324,000	1,585,000	1,826,000
COKE (BUREAU OF MINES)—Month of Oct.:			
Production (net tons)	5,107,768	*4,505,379	6,289,400
Oven coke (net tons)	5,046,197	4,450,171	6,166,000
Beehive coke (net tons)	61,571	*55,208	123,400
Oven coke stock at end of month (net tons)	3,896,260	3,993,444	2,763,957
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100—Month of December:			
Adjusted for seasonal variation	145	137	138
Without seasonal adjustment	254	166	241
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate customers—Month of October (000's omitted)	48,223,056	49,215,267	46,304,050
Revenue from ultimate customers—month of October	$821,372,000	$840,854,000	$771,174,000
Number of ultimate customers at Oct. 31	56,014,065	55,942,467	55,027,970
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of December (1947-49 = 100)	65.3	65.9	72.8
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of Dec.	£8,635,000	£7,116,000	£52,680,000
NONFARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of Sept.	3,820	3,518	2,979
PORTLAND CEMENT (BUREAU OF MINES)—Month of November:			
Production (barrels)	28,031,000	32,847,000	25,014,000
Shipments from mills (barrels)	24,528,000	36,615,000	20,829,000
Stocks (at end of month—barrels)	23,688,000	*20,415,000	23,187,000
Capacity used (per cent)	86	98	84
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of November:			
Total operating revenues	$809,534,673	$903,031,301	$831,137,506
Total operating expenses	623,805,871	651,224,849	666,909,187
Taxes	82,006,668	108,958,065	77,100,542
Net railway operating income before charges	80,186,624	114,687,960	64,247,326
Net income after charges (estimated)	62,000,000	97,000,000	45,000,000
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of November:			
Passenger Tires (Number of)—			
Shipments	6,764,947	6,972,137	6,220,370
Production	7,181,556	7,982,594	7,098,030
Inventory	17,419,873	17,134,475	18,960,004
Truck and Bus Tires (Number of)—			
Shipments	1,023,447	1,481,780	950,989
Production	1,211,076	1,361,468	1,149,906
Inventory	2,982,033	2,778,714	3,210,873
Tractor-Implement Tires (Number of)—			
Shipments	209,366	317,992	188,468
Production	303,960	347,888	258,231
Inventory	814,494	713,997	767,299
Passenger Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	2,898,650	3,566,665	2,735,619
Production	3,318,609	3,767,846	3,242,647
Inventory	8,371,927	7,869,030	7,444,444
Tread Rubber (Camelback)—			
Shipments (pounds)	40,008,000	*53,238,000	34,771,000
Production (pounds)	40,585,000	*49,952,000	37,377,000
Inventory (pounds)	29,352,000	29,226,000	27,681,000
RYE CONDITION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of Dec. 1	87%	------	92%
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of December:			
Net sales	------	------	------
Net purchases	$43,663,500	$55,143,500	$33,325,000
ZINC OXIDE (BUREAU OF MINES)—Month of October:			
Production (short tons)	14,375	14,379	14,199
Shipments (short tons)	14,888	14,587	14,331
Stocks at end of month (short tons)	20,659	21,172	26,929

Continued from page 4

Lessons We Can Learn From Mikoyan's Visit

Wall Street bankers and businessmen, but the leaders of our free trade unions who represented the views of millions of America's wage earners.

I do not mean to suggest that by reason of what he saw he has abandoned hope for the eventual success of the Communist revolution in the United States. He never missed an opportunity to express his supreme confidence that Communism would eventually prevail not only in this country but throughout the world.

But he can no longer believe that this will come about because of mass discontent of America's wage earners. In his unexpected visits to typical American homes, he did not find the misery that could be the seedbed of revolution.

How then does he expect his grand objective to be realized in this country? His answer to this question, significantly, was that the American people would turn to Communism, not for the traditional reasons of class division and discontent arising from oppression of the masses, but because they would eventually see that the Communist system could do an even better job of producing economic progress than ours. He points to the fact that the Soviet economy is growing at a faster rate than ours today and that inevitably our people would be forced to turn to Communism in order to avoid becoming a second-rate power.

What We Learned From Mikoyan

Let us turn now to some of the things we learned from Mr. Mikoyan. First, after seeing him in action we realize that we can make no greater mistake than to underestimate the ability of those who guide the destiny of the Soviet empire today. In the past six years I have met Free World leaders in over 50 countries. In several respects, I would have to rate Mr. Mikoyan as the equal of any leader I have met. He has a first-rate mind and a keen, piercing sense of humor. He not only knows his own system well, as we might expect, but he had a mass of information at his command about the United States, our political system, our economic philosophy, and our people.

But even more impressive than his mental ability and shrewdness were certain intangible qualities —a steel-like toughness of character and an almost arrogant faith that his cause was right and that it would inevitably prevail. In this man there was no flabbiness, no softness, none of the uncertainty of the pragmatist seeking a philosophy. He had found in the Communist system the inalienable truth and neither facts nor arguments could shake his faith.

In other words, in the person and character of Mr Mikoyan the people of the United States were reminded again of the massiveness and of the seriousness of the challenge we face in the world today.

What lessons can we learn from the Mikoyan visit which may have some bearing on American policy toward world Communism?

First, what should our attitude be toward visits of this type in the future? As one who has never been accused of softness toward Communism—on the contrary my critics believe I lean too strongly in the opposite direction—I believe that an unofficial visit of this type, while it has definite liabilities, is, on balance, in the best interests of the United States and the Free World.

But there are certain guidelines which we should always have in mind where such visits are concerned. We are not going to change Communist policy with a smile or a handshake. They are hard-headed realists motivated by their own self-interest. They will respect us only if we stand firmly by our principles and our ideals.

Decries Fawning

We can do this if we follow two simple rules for visits of this type. Our Government officials and leaders in other walks of life should talk freely with our visitors so that they can know us as we really are. We should always be courteous. But we should never be soft or fawning.

Let me give some examples. The press reported that Mr. Mikoyan was applauded when in referring to pickets who were protesting his tour he said in the Soviet Union "we have freedom from hoodlums." I do not think that enthusiastic applause was the right response to this comment. His hosts would have been wiser had they courteously but firmly pointed out the true American attitude on such incidents.

We should make it clear that we deplore violence or discourtesy to a guest but that we allow peaceful picketing.

They should also have noted that most of those whom Mr. Mikoyan referred to as hoodlums were Hungarians whose relatives and friends were slaughtered by the thousands by Soviet "hoodlums in uniform" in Budapest.

And they might also have pointed out, as I did at the dinner given for Mr. Mikoyan by the Secretary of State, that the milling thousands who stoned the United States Embassy in Moscow and the Communist-inspired mobs who smashed up my car in South America may not have been "hoodlums" but they certainly were not practicing peaceful coexistence.

Praises Labor Leaders' Stand

I do not agree with those who criticize our businessmen and bankers for entertaining Mr. Mikoyan at lunch or dinner. But I would respectfully suggest that some of them in this instance could learn a lesson from our labor leaders who had to fight to expel Communists from their unions and in the process learned how to deal with them.

They know that a soft and naive approach does not produce results. The Communists respect those who oppose them on principle. They have nothing but contempt for those who are dupes and who can be deceived by what they know are obvious untruths.

This brings us to one of the major lessons we can learn from the Mikoyan visit. I have mentioned how much impressed I was by his broad knowledge of the United States and of our system. This is not unique. I have noted the same characteristic in other Soviet representatives whom I have met in various parts of the world.

On the other hand, I must admit that I have been deeply concerned at the naive attitude and the lack of understanding of Communism displayed by some Americans, both in government and out, who represent the United States abroad. This, of course, is the exception rather than the rule where our government personnel are concerned, but the fact that this situation exists at all should cause us concern.

That is why I have consistently urged that particularly at the college and university level a far better job should be done in teaching our students the fundamentals of Communist philosophy, strategy and tactics.

The only effective answer to combat a false idea is not ignorance but the truth. Our survival requires that the American people in all walks of life know not only the evils of Communism and its weaknesses but also its strength. Only in this way will we be able to develop the public opinion that is needed to support the programs which will effectively meet the Communist offensive.

Americans must know the total nature of the struggle in the world today so that we can meet it with intelligence and resourcefulness.

Let me give an example. At the present time a debate is going on as to what the proper level of our military strength should be in view of the Soviet challenge. There is no question but that the Congress will vote for and the people will support whatever level of military expenditures the best combined judgment of our national leaders indicates is necessary to protect the national security.

Urges Support of Foreign Aid Program

But while there will be support, as there should be, for an adequate military program, I predict that we can expect an all-out assault in the name of economy on our programs for technical assistance, developmental loans, exchange and information.

Anyone with even an elementary knowledge of Communist tactics knows we could make no more disastrous mistake. We can be the strongest military power in the world and still lose the struggle for the world without a missile being launched if we don't have the vision to counter the massive Communist offensive in the economic, propaganda and political areas.

The trouble is that too few Americans seem to be able to see the total picture of the struggle against Communism. In the years immediately after World War II, there were many in this country who clearly saw the threat of Communism abroad but who ignored or failed to see it in the United States. Today, some of those who lead the fight against Communism in the United States condemn as give-aways and do-goodism the vital expenditures needed to meet and defeat the threat of Communism abroad. Both of these attitudes are short-sighted and completely indefensible.

I recognize that there has been some waste and inefficiency in our information, exchange and economic programs. But this is a new field for Americans and mistakes are inevitable. We should subject these programs to searching criticism but for the purpose of improving them rather than to destroy them.

In recognizing the necessity to counter the Communist economic offensive let us not make the mistake of letting them always select the battleground that suits them best.

Spells Out Peaceful Competition Challenge

Mr. Mikoyan relayed to me some complimentary comments Mr. Khrushchev had made with regard to a statement I made in London last November to the effect that we welcomed the opportunity to compete with the Soviet Union in waging war on misery, disease and poverty in the world. But let me repeat what I also said on that occasion.

"Our answer to the Soviet challenge should not stop here. We say — broaden this competition and include the spiritual and cultural values that have distinguished our civilization.

"Material achievements, while necessary, do not meet the deeper needs of mankind. Man needs the higher freedoms, freedom to know, to debate freely, to write and express his views.

"He needs the freedom that law and justice guarantee to every individual so that neither privilege nor power may make any man subservient before the law.

"He wants the freedom to travel and to learn from other peoples and cultures.

"He wants freedom of worship.

"To us, these are the most precious aspects of our civilization. We would be happy if others were to compete in this sphere and try to surpass our achievements."

I also said: "Let us speak less of the threat of Communism and more of the promise of freedom. Let us adopt as our primary objective not the defeat of Communism but the victory of plenty over want, of health over disease, of freedom over tyranny."

This approach has been criticized as being too idealistic and naive. But let us examine the facts.

Must Offer Non-Material Aid

I have visited most of the newly-developing countries in Asia, the Near East, Africa and Latin America which the Communists are now wooing so assiduously. Being against this false philosophy and pointing out its evils is not good enough, we must stand for and offer something better. Millions of people in these countries want and deserve a better way of life.

Above everything else these people do not want to be pawns in a struggle between two great world powers. They would like to have our help. But they want us to be interested in them as human beings not just as potential military allies.

What we must do is to present our programs in terms of their aspirations and their aims rather than our own. And we can do this because in contrast to the Communists we do not seek to dominate any other nation in the world today.

We know that what serves their welfare serves ours as well. Because as we help them to acquire the economic and political stability which will assure their independence, the cause of free peoples everywhere will benefit.

We must always remember that of all the forces in the world, national independence is the one which is most incompatible with international Communism's design of dominating the world.

One Final Lesson

I think there is one final lesson which we can learn from Mr. Mikoyan which is perhaps more important than all the rest.

No matter how repugnant the Communist philosophy is to us, we must recognize the fact that those who subscribe to it are true believers. And this, rather than the military or economic power of the Communist empire, is the major source of its strength and its insatiable drive toward world domination.

In Mr. Mikoyan we saw a man small in physical stature, but a man of iron determination, fanatical dedication, and superb mental discipline. The soft, the flabby, the naive, the lazy will not win in a struggle with men like this. It is not enough that our cause is just. We must have men who are worthy of that cause.

That is why our great institutions of learning like Fordham have such a tremendous responsibility today. We have heard a great deal about the need of America for scientists and engineers and I would not underestimate it. But America above all today needs in all walks of life the finest leadership our nation can produce — men of courage, dedication, and moral fortitude; men who have faith in God, a sense of discipline, a belief in American ideals and a willingness to sacrifice for a just cause.

$20,000,000 Kingdom Of Denmark 5½% Bonds Offered at 97½

The Kingdom of Denmark is today (Feb. 5) borrowing the equivalent of $40 million through a public offering of $20,000,000 of Danish bonds by an investment banking group and a World Bank loan equivalent to $20,000,000. The investment banking group is headed by Kuhn, Loeb & Co., Smith, Barney & Co., Harriman Ripley & Co., Inc. and Lazard Freres & Co. They are offering for public subscription $20,000,000 Kingdom of Denmark 5½% 15-year external loan sinking fund bonds due Feb. 1, 1974 at 97½% and accrued interest, to yield approximately 5¾%.

The Kingdom intends to apply the net proceeds from the sale of the bonds to the acquisition of capital equipment required for the development of the Danish economy while the proceeds of the World Bank loan will help to finance the foreign exchange cost of electric power expansion in Denmark.

The bonds are direct obligations of the Kingdom of Denmark and principal and interest will be payable in New York City in United States currency. They are not redeemable, except through operation of a sinking fund, prior to Feb. 1, 1969. The sinking fund provides for payments of $1,666,000 annually commencing in 1963, designed to retire the entire issue by maturity. The average life of the bonds will be 9½ years. Sinking fund redemption price is par.

On and after Feb. 1, 1969 the bonds are subject to optional redemption at prices ranging from 101% if redeemed before Feb. 1, 1970 to par on and after Feb. 1, 1973.

The Kingdom will make application to list the bonds on the New York Stock Exchange.

The $20 million World Bank loan, which is being made concurrently with the bond offering, will have a term of 20 years and bear interest of 5¾% per annum, including the 1% commission which is allocated to the Bank's Special Reserve. Amortization will be in 33 semi-annual instalments beginning on Aug. 1, 1962 and ending on Aug. 1, 1978. The First National City Bank of New York and The New York Trust Co. are participating in the loan, without the World Bank's guarantee, for a total amount of $1,147,000, representing the first three maturities. The Loan Agreement between Denmark and the World Bank was signed in New York yesterday (Feb. 4) by His Excellency, Count K. G. Knuth-Winterfeldt, Danish Ambassador in the United States, and by Davidson Sommers, Vice-President of the World Bank.

The World Bank loan will help to finance power expansion projects being carried out by six public utilities which operate about 65% of total generating capacity in Denmark; these utilities serve the islands of Zealand, in which Copenhagen is located, and Bornholm and the north and east central part of Jutland. The projects consist of the installation of 437,000 kilowatts of additional generating capacity in five thermal power plants and the construction of 190 miles (360 kms.) of transmission lines and associated substations. Construction is scheduled for completion by mid-1962 at a total cost equivalent to $59 million.

The loan is the second made by the Bank to the Kingdom of Denmark. The first one in an amount of $40 million was made in 1947 to assist Denmark's recovery from the disruption of the war. Under its terms this earlier loan will be fully retired by 1972.

Securities Salesman's Corner

By JOHN DUTTON

Prospecting for Investors Interested In Special Situations

The investor that is interested in the "ultra special situation" is a special type of individual himself. Some of his friends may be interested in playing the market. This man, however, is interested in much bigger game than a 25% long-term gain, or even a 100%. He is a prospector, a scientific explorer for facts, an evaluator of the laws of probability, and a man who is willing to back his judgment with a substantial bankroll. This is no small-time speculator of which we are speaking now—this is the top prize among all the investor clients you can ever hope to acquire.

Where Do You Find Them?

You may find this man anywhere. He may be a retired industrialist that has made many contacts throughout the world during an active and busy life, and is now employing his time in the intriguing pastime of uncovering investment situations that are a constant challenge to him. He may be an active young executive with established business connections that has built a strong group of like minded investors around him. These men form an investment group and they are interested in employing their funds in young companies that have a development potential within a period of from not over three to five years.

They are not interested in the "space ship" type of proposal, the glamour fiction enterprise that may or may not develop within a longer period of time. They do not have the untold wealth which allows them to take on possibly 15 or 20 long shot enterprises and hope that one or two will click, thereby paying off for those that do not. These men are builders of business and they may wish to acquire control and throw their unusual experience and effort behind their money.

Be Alert

When you go out to discover a very rare and precious stone you are aware that you won't find it on every street corner. Even if you are prospecting in the diamond mines of Africa you must still be on the lookout for that rarity that comes along once in a few years. But you must go where these stones are located. You won't find many diamonds in some sand dune in the middle of a desert. There is a place to hunt for diamonds and that is where you should go.

Among your clients you will eventually meet a few people who are interested in employing their brains and their money in something a bit more interesting than some run of the mill investments. The first step then is to be alert to such opportunities. Expose yourself to the type of people who have substantial funds for investment. Sooner or later you are going to be introduced by SATISFIED CLIENTS to their friends.

The power of radiation in the investment business can never be underestimated. The trouble has been that most salesmen do not understand that their knowledge and ability in handling not only their customer's accounts, but also THEMSELVES, is the open door to recommendation. No man is going to introduce to you to a keen minded, intellectually superior and successful investor friend unless you measure up on all counts. This field does not offer any opportunities whatsoever to the security salesman who thinks that he can bluff, bluster and sham his way into the confidence of either his regular clients or their "special situation minded" friends. Here you either know your story, know your way around among men who do know, or you are wasting your time.

Only occasionally will you discover these few able and willing speculators who will put a substantial sum into some small company long before the public becomes aware of its potential. Don't expect to place an advertisement in your daily paper and find them deluging you with replies. Occasionally you may run into someone who can qualify as a prospect for the big participation in the type of situation we are discussing through the usual sources of security prospecting, such as advertising by mail or in the press. The most effective method of reaching these people, however, is through a personal recommendation which comes to you from a contact with the officers of some small business that has a strong growth potential, or one of your regular clients who has been exposed to the fact that you are in contact on RARE OCCASIONS with certain very unusual speculative opportunities of this type.

Pick your customers carefully and at the opportune time advise them that some of your firm's most unusual successes have been quitely and efficiently accomplished in this intriguing field of the "ultra special situation." The approach will flatter them, may interest them, and sooner or later you will build a select few people who are triple A prospects for this type of investment.

Continued from page 2

The Security I Like Best

at Nashville, a project which over a 5-year period will require the investment of over $15,000,000. At the same time, the company's program calls for the opening of nearly 50 new retail shoe stores; to move with great strength into the low-price women's shoe field; expand Canadian operations; and to enter the area of manufacturing men's clothing.

It is my opinion that an optimistic forecast for General Shoe is completely justified—both from a short and a long range point of view. Given a further expansion in the economy in which disposable personal income continues to grow more rapidly than the Gross National Product, we anticipate a firm demand in 1959 for consumer goods. Shoe prices should increase moderately with the larger advances coming in fashion lines in which General Shoe is the acknowledged leader. With $2.50 net earnings per share in sight for 1959 and a well-covered $1.50 annual dividend, we expect this stock to outperform the general market and provide highly satisfactory capital appreciation.

Charles M. Kaiser

Charles M. Kaiser, associated with Grady, Berwald & Co., Inc., New York City, in the trading department, passed away Jan. 28.

J. Starr Anderson

J. Starr Anderson passed away Feb. 1 at the age of 75. Mr. Anderson was a partner in W. C. Langley & Co., New York City.

E. A. Tikalsky Opens

MICHIGAN, N. Dak. — Eugene A. Tikalsky is conducting a securities business from offices here. His mail address is Box 136.

Maurice Thompson Opens

IRVINGTON, N. Y.—Maurice C. Thompson is engaging in a securities business from offices on Ardsley Avenue, East.

Wm. H. Keeney, Director

At a meeting of the board of directors of American Cement Corporation, William H. Keeney was elected a director to fill a vacancy caused by the death of Griffith Henshaw. Mr. Keeney is associated with the San Francisco office of Sutro & Co., investment securities firm.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The enormous amount of electric power generating capacity which our country now has will have to be nearly tripled by 1980, according to Federal Government officials and economists. Obviously this means investment in plant, generating and distribution systems of many, many billions of dollars.

Where is the money coming from? Probably from private investors, and from the nation's taxpayers to help expand the Federal Government's longtime role in the electric power industry.

Surveys indicate that by the end of 1961 total generating capacity of the United States power systems will be about 180,000,000 kilowatts. For the past several years the average annual increase in capability in this country has been about 8%.

President Eisenhower in his budget recommended to Congress that 1959 carryover funds be used to complete a three-year survey by the International Joint Commission as to the economic feasibility of a tidal project at Passamaquoddy Bay, situated between Maine and Canada's New Brunswick Province. Engineers say that on this bay the waters rise higher and faster than any place on the American Continent and probably in the world.

Purpose of this tidal survey ($616,000 was appropriated for fiscal 1959) is to determine the cost of construction, whether such cost would allow hydroelectric power to be produced at a reasonable price, and what contribution such project would make to the national economy and defense.

Participating in the survey are three Government agencies. The Army Engineers is inquiring into power construction and location requirements. The Federal Power Commission, with the assistance of the Army Engineers, is studying the potential power market and transmission problems. The Fish and Wildlife Service is cooperating with the Canadian Government, in determining the potential effect on fisheries in the area.

Perhaps this mighty project, if the engineers should recommend its feasibility, would kick up a storm on Capitol Hill among the Public Power versus Private Power advocates in Congress.

More Federal Power

At the beginning of last year the United States had under construction, or authorized, 11,500,000 kilowatts of Federal hydroelectric capacity. But as Interior Department officials point out, it had under Federal Power Commission license and under application an even greater amount of non-Federal hydroelectric capacity—18,300,000 kilowatts. In addition to this there was under construction or scheduled nearly 40,000,000 kilowatts of steam or atomic generating capacity, Federal and non-Federal.

It may sound sensational, and it is, but these 70,000,000 kilowatts—either producing or on the way—represent more than the installed capacity of the nation about 10 years ago.

A big question in the power field right now deals with atomic electric power projects. Of course these projects are still in the experimental field. But one thing has been forcibly brought out in research so far: atomic electric power is mighty expensive and it will be a long time before it can compete with fossil fuels.

Coal Versus Nuclear Energy

Coal is consumed in greater amounts than any other commodity in the world. It has been the paramount source for power and heat, and more recently for raw materials in the chemical industry, for many, many years.

The National Coal Association, a trade association, representing this large industry, naturally is interested in the welfare and prosperity of the industry. The association in a statement of policy apparently has taken the sensible approach to the nuclear energy question. The association declares nuclear energy should be used whenever it will contribute economically to the energy requirements of the United States and the world.

However, the nation's best interests are not served by unwarranted optimism about the early availability of low-cost nuclear power, declared the statement of policy. It went on to declare that the coal industry recognizes that economical power from atomic energy has not yet been demonstrated and does not appear feasible in the foreseeable future. Also the association feels, as the private power people everywhere probably feel, there should be no subsidy of taxpayers' funds of commercial electric power from nuclear sources beyond the research and development stage.

Under the budget recommendation submitted to Congress, President Eisenhower has requested Congress to appropriate $2,502,000,000 for the Atomic Energy Commission for fiscal 1960. The amount compares with $2,395,406,000 appropriated for the current fiscal year ending June 30.

The AEC's Blunder

Incidentally, the Atomic Energy Commission has moved its headquarters to Germantown, Md., some 28 miles from Washington. The Commission occupies elaborate new multi-million dollar offices, but the officials now realize that it made a blunder, and a big one, by moving so far away from the Capitol. So far, the person or persons responsible for the move have not been identified.

Persons from all over the country coming to Washington for conferences with the Commission have discovered great inconvenience of reaching the Maryland community. The facts are the Commission has some secrets of course, but they could have been kept just a well in Washington as out in the country.

The Atomic Energy Commission and nuclear energy appear destined to figure lively in the news for many years. During 1958, six civilian nuclear powerplants were being built under supervision of the commission. Also two power reactors were being constructed for export.

The Commission's Program

The Commission's program for 1960 includes the continuation of work to develop power plants for use in commercial ships, and particularly for the nuclear-powered merchant ship, the N. S. Savannah, under construction. Reports are on Capitol Hill that there will be efforts made to insert in the military budget nearly $100,000,000 to convert the Navy's new carrier into an atomic power ship. There is also discussion of a drive for an increase in funds for an atomic-powered plane, which has been discussed before, but no firm action was ever taken.

In the military reactor programs, the Commission says publicly it will continue to work with the Defense Department. These will include propulsion reactors for submarines, surface combatant ships, military aircraft and missiles and transportable power plants for the generation of electric power and heat in satellites and at remote military installations.

At the Department of Defense attorneys have been studying a proposed $500,000,000 Government insurance program in connection with industries having hazardous atomic contracts. Obviously, private insurance companies do not want to shoulder a sustantial risk of this type in any particular community or communities.

Two Projects to Be Dropped

There are many ramifications to the functions of the Atomic Energy Commission. For one thing it operates three towns—Oak Ridge, Tenn., Los Alamos, N. Mex., and Richland, Wash. These three towns have an estimated total population today of 69,000 people. However, plans are to terminate Government ownership and operation of both Richland and Oak Ridge.

Under law, security investigations are required of those persons proposed for access to restricted data of the atomic energy program. The number of full background investigations to be completed is estimated at 22,450 for 1960. This number compare with 23,076 in 1959 and 26,556 for 1958.

Meantime, it is rather obvious that only a rich country with high taxes, like the United States, could afford all the research and money being spent on atomic energy. It is also apparent to even the laymen that as long as nuclear energy is costing 30, 40 or more than 50 mills for each kilowatt hour as compared with steam power costs of from 4 to 15 mills per kilowatt, that it is going to be a long time before private industry can afford to build nuclear power plants. Maybe it will be competitive someday, but right now even the Atomic Energy Commission would have to admit that it has an expensive proposition on its hand.

[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

"Your secretary takes 120 words a minute?—My wife gives me 240!"

COMING EVENTS

In Investment Field

Feb. 6, 1959 (Boston, Mass.)
Boston Securities Traders Association 35th annual dinner at the Sheraton Plaze Hotel.

Feb. 19, 1959 (Chicago, Ill.)
Bond Club of Chicago 48th annual meeting and dinner at the University Club.

Feb. 26, 1959 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia-Security Traders Association of New York annual Bowling Match.

Feb. 27, 1959 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia 35th annual midwinter dinner in the Grand Ballroom of the Bellevue-Stratford Hotel, preceded by a member-guest luncheon at 12 o'clock).

April 1-3, 1959 (San Antonio, Tex.)
Texas Group of Investment Bankers Association of America annual meeting at the Hilton Hotel.