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EDITORIAL

As We See It

There are substantial and influential groups in this country who apparently cannot feel comfortable or confident about the future so long as the expenditures of the Federal Government do not exceed income. This reverence for an unbalanced budget is a tribute to the teachings of John Maynard Keynes (later Lord Keynes) and the preachings of Franklin Roosevelt and his brain trusts. There is much reason to suspect that Lord Keynes would now regard much of the current programs as "modernism turned sour and silly." What Franklin Roosevelt would think of them would not be easy to guess. His actions and his policies were never easy to forecast. There is, however, no room for doubt that many if not most of those who are today proud to call him master see more virtue in unbalanced budgets than in any sort of pay-as-you-go program.

With each boast from Moscow, there comes a new and more doleful wail that we shall never "catch up" with the Soviets and can never hope to be as secure as we might be so long as we insist upon balancing the Federal budget. To hear a good many of these critics talk, one would suppose that there was some sort of magic in a fiscal deficit. The cry that we are not spending enough on defense is heard far more often than that we are not doing enough. When the representatives of each of the service arms say, as is quite usual, that whatever the others are getting, they are not getting as much money as they should have—well more grist is supplied to the critic's mill. Unemployment apparently lingering somewhat longer than had been expected strangely adds to the need to spend more for this,

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Recession, Recovery and Maximum Economic Growth

By WILLIAM McCHESNEY MARTIN, JR.*
Chairman, Federal Reserve System

Country's monetary head makes clear we must: (1) have budgetary surpluses and not deficits in prosperous times; (2) cease using the banking "high road to monetary inflation"; and (3) end the cost-push price spiral, if we are to show the world that a free economy can outperform totalitarian economies in achieving real progress without inflation. Mr. Martin reviews Federal Reserve's efforts over the past 16-month period of recession and recovery; denies that facing up to inflation means being blind to economic growth; outlines bank's role in aiding Treasury financing and dollar stability; and warns that inflationary expectations deter savings and that currency debasement imperils our free institutions.

When I testified before the Joint Economic Committee last year, on behalf of the Federal Reserve Board, economic activity in this country was receding. Contraction in output and employment was general. Unemployment was rising at a disturbing pace. No one could be sure how far downward adjustment would go, or how long it would last.

W. McC. Martin, Jr.

We pointed out then that, with the exception of the catastrophic recession of the 'Thirties, every moderate cyclical decline since World War I had been checked in the course of a year. It was further emphasized that many forces were present in the economy that were favorable to eventual recovery. But at that time we did not know, nor did we then expect, the vigorous recovery would so soon be in full swing, and that contraction from 1957 levels of activity would be shorter in duration than most

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*Statement by Mr. Martin before the Joint Economic Committee, Washington, D. C., Feb. 6, 1959.

Our Fiscal Situation and Its Impact on the Economy

By HON. ROBERT B. ANDERSON*
Secretary of the Treasury

Country's fiscal chief explains why he is most concerned about the size of the recession-induced deficit and the attitude that we need not balance the budget. Denying that paying our way now is being negative, Mr. Anderson narrows the country's fiscal problem down to the fact that the association of deficits to inflation will keep people from saving and, also, that orderly finances is the key to the free world's strength. Turning to assumptions underlying the budget, the Treasury head expects: (1) slightly less vigorous recovery than that of post-1954 recession; and (2) $374 billion personal income and $47 corporate profits in 1959. Says rejection of major tax cuts last Spring has been vindicated by events.

I welcome the opportunity to discuss the government's fiscal outlook and some of its implications for the nation's economy. First, I should like to discuss the budget for the fiscal year 1960. We estimate total receipts of $77.1 billion. Of this total, $40.7 billion is expected to come from individual income taxes, and $21.4 billion from corporation income taxes. The assumptions for the calendar year 1959 underlying these figures are $374 billion for personal income, and $47 billion for corporate profits.

Robert B. Anderson

These income assumptions were arrived at after careful studies and consultations utilizing all data and judgment available both inside and outside the government. The increases they represent imply a continued vigorous recovery, but at a slightly lesser rate than we experienced after the 1954 recession. Somewhat larger revenue gains, too, were

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*Statement by Mr. Anderson before the Joint Economic Committee, Washington, D. C., Feb. 5, 1959.

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HUBERT F. ATWATER
Wood, Walker & Company,
New York City
Members N. Y. Stock Exchange

Hercules Galion Products Inc.

This business which had its inception in 1905, adopted the present name of Hercules Galion Products, Inc. in 1955 upon the merger of Hercules Steel Products Corporation and Central Ohio Steel Products Co. Both companies had plants at Galion, O., near Cleveland. On Oct. 1, 1956, the Kingham Trailer Co. of Louisville, Kentucky was acquired and is operated as a wholly-owned subsidiary.

Hubert F. Atwater

Hercules Galion makes many products for the road building industry, including telescopic dump trucks, batch trucks, mobile conrete mixers, a line of hoists and other heavy duty equipment as well as special vehicles for refuse removal, vans, steel and lightweight bodies and trailers.

Other products are heat proof burial vaults finished in either porcelain or copper, and kitchen equipment for commercial installations.

In the field of contract work, Hercules machines and partially assembles the mechanism of one of the popular pin-spotter machines.

Hercules has 835,845 shares of common stock and two small preferred stock issues, one of which is convertible and has a sinking fund. Debt consists of $2,000,000 5¼% notes due 1972 held by an insurance company, and $640,000 subordinated 5% notes issued in connection with the acquisition of the Kingham Trailer Co.

Now, no one boasts that the heavy duty truck and trailer business was satisfactory in the period which the 1958 annual reports of major companies refer to as the "late business recession." Hercules Galion suffered with the rest of the industry, but closed its fiscal year on Sept. 30, 1958 with a net profit after taxes of $108,000.

This is not a good showing when compared with the previous year's net of $741,000, but the financial position of the company is strong and the market for its products has improved.

The period of unsettlement in the heavy industry field embraces almost all of the 12 months of Hercules Galion's fiscal year 1958. Since the first of October the demand for its products has increased and the first fiscal quarter should show a considerable improvement over the previous year.

I find attraction in Hercules Galion stock because of the evident opportunity for improvement in earnings. Furthermore, the stock strikes a popular note. The price $5, the dividend 5 cents quarterly since 1953. The stock is listed on the American Stock Exchange.

ALAN C. POOLE
Research Analyst
Hemphill, Noyes & Co., N. Y. City

Ranco Incorporated

Growth with a 5% yield is a rare commodity these days and yet one may find this combination in the common stock of "Ranco" Incorporated listed on the New York Stock Exchange, selling around 24, and paying a $1.20 dividend to yield 5%. Possible reason why this stock sells so low is that it may not be fully seasoned as it has only been in public hands since 1955. Yet all the ingredients of an interesting growth situation exist. Taking statistics dating back to 1948 we find an unbroken earnings and dividend record. More interesting is the fact that in the ten year period 1948-57 sales increased 210% and net income after taxes increased 251%. Peak sales in 1957 were slightly under the $30 million mark so there is still plenty of room for growth.

Alan C. Poole

"Ranco" felt the effects of the recent recession. For the fiscal year ended Sept. 30, 1958, sales dropped 12½% and net income after taxes 36%. Nevertheless the $1.74 per share earned amply covered the $1.20 annual dividend and this now appears to be in no jeopardy as there is every evidence of improved operations. In fact, judging from the company's record of approximately a 50% payout of earnings, a dividend increase could be only a couple of years away.

Finances are sound, with cash and equivalent in excess of current liabilities and current assets twice current liabilities and long-term outstanding.

What is likely to make "Ranco" grow in the future is what made it grow in the past—a participation in the expanding field of temperature controls. Much of "Ranco's" business depends on the automotive and air conditioning industries and these should fare well in 1959. Furthermore the company is conducting an active research program for new products. Temperature controls are certainly likely to have wider uses in the future. Diversification through the acquisition of Wilcolator Co., a manufacturer of gas and electric oven controls, will broaden "Ranco's" operations and could add $5,000,000 to their annual sales. If this new acquisition returns as great a percentage net income on sales as present operations, per share earnings for "Ranco" would be increased even after allowing for deletion of the common stock outstanding needed to make the acquisition.

Finally "Ranco's" international operations could play an important part in the company's earnings and growth. The refrigeration industry is growing rapidly in Europe. "Ranco" has subsidiaries in Scotland and Italy. Its associate, Australian Controls Ltd. (40% owned) is also showing remarkable progress.

In 1959 "Ranco's" earnings should exceed the $2 per share level. A stock selling at less than 12 times potential earnings with a 5% yield offers an unusually good value for an equity of a company with truly great growth potential. The common stock of "Ranco" looks like one of the best opportunities for capital appreciation in 1959.

This Week's Forum Participants and Their Selections

COMING EVENTS

In Investment Field

Feb. 17, 1959 (New York City)
Association of Customers' Brokers 20th anniversary dinner meeting at the Hotel Delmonico.

Feb. 19, 1959 (Chicago, Ill.)
Bond Club of Chicago 48th annual meeting and dinner at the University Club.

Feb. 24, 1959 (Detroit, Mich.)
Bond Club of Detroit 43rd annual dinner at the Detroit Boat 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).

Mar. 22-27, 1959 (Philadelphia, Pa.)
Seventh annual session Institute of Investment Banking.

April 1-3, 1959 (San Antonio, Tex.)
Texas Group of Investment Bankers Association of America annual meeting at the Hilton Hotel.

April 3, 1959 (New York City)
New York Security Dealers Association 33rd annual dinner at the Waldorf-Astoria.

Apr. 10, 1959 (Toronto, Canada)
Toronto Bond Traders Association annual dinner at the King Edward Hotel.

April 29-30-May 1, 1959 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual spring party at the Sunset Country Club.

June 18, 1959 (Minneapolis-St. Paul, Minn.)
Twin Cities Bond Club 38th annual picnic and outing at White Bear Yacht Club, White Bear Lake, Minn. (preceded by a cocktail party June 17 at the Nicollet Hotel, Minneapolis).

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

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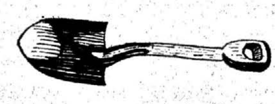

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Common Stocks and Inflation

By MARTIN E. ROONEY
Assistant Professor of Finance, North Texas State College; Registered Investment Adviser

Professor Rooney maintains inflation fears, rather than profits or amount of investible funds, constitute most important factor motivating present common stock buying at "heretofore outlandish" prices. Points out some factors undermining functioning of common stocks as permanent good anti-inflation hedge. Rejects widespread assumption of an indefinitely continuing moderate inflation. Foresees following long-term course of events, if government fails to take definitive corrective measures: (1) in 1959-1965 excess productive capacity and competition checking inflation, but with excess demand building up; (2) from 1965-1975, inflation becoming rampant, with "explosive" government deficits, skyrocketing of prices, and public's fear of property confiscation; and (3) finally 1975-1985, repudiation of government debt and obligations, with oncoming of totalitarian regime, and crushing of labor unions.

Between June and the end of December, 1958, all stocks listed on the New York Stock Exchange rose in market value from $225 billion to an estimated $269 billion, an increase of $44 billion, an amount equal to two and three-quarters times the estimated total corporate profits for 1958. What caused this truly enormous increase?

Martin E. Rooney

Several reasons have been given. Corporate profits were excellent for 1955 and 1956, averaging $23 billion. In 1957 they declined to $21.8 billion. During the last quarter of 1957 and the first quarter of 1958 profits were falling sharply (about one-third) under the levels of a year earlier. In the late spring of 1958 a business recovery set in, and profits are believed to have improved sufficiently to bring the 1958 figure to $16 billion—and maybe more. For 1959 and especially the early 1960s a great boom should set in and profits ought to reach record levels. This reason we call the "profits argument." This writer does not consider this reason to have been the primary fuel behind the rise in prices.

Another cause is frequently given. Both the public and institutions have a greater amount to invest; and what is possibly of more significance, each is showing a marked disposition to invest a higher percentage in common stocks and less in bonds and mortgages. Little weight will be given to this explanation, for the writer believes it has only minor significance except as it demonstrates a tangible result of the last reason, now to be given.

The Most Important Factor

Fears of inflation are so great that investors feel driven to seek protection by buying common stocks at prices that heretofore would have seemed outlandish. This reason, regarded as most important, is referred to as the "flight from the dollar." What else could explain present public willingness to value stocks on the New York Stock Exchange at roughly $269 billion as against $69 billion 10 years ago? Profits for both years will probably be about the same, and profit recovery for 1959 is not likely to exceed (or even equal) the 40% increase in profits of 1950 over 1949.

Let us now examine the position taken by those who believe inflation will not be checked and that common stocks are going to sell for even much higher prices.

The Case for Buying Stocks As a Hedge Against More Inflation

The case for more inflation is so powerful as to be almost completely irrefutable. Since 1824 the dollar has lost 80% of its purchasing power and, since the beginning of the New Deal, 55%. Nearly all the Western World is suffering from inflation; and in Brazil, Argentina and Chile inflation is apparently out of control.

At home, voters seem to be crying for more and more handouts and to be taking an indifferent attitude concerning the consequences. Per capita national debt which stood at $156 in 1932 is 10 times that amount today. In addition, the total of consumer, housing, corporate, municipal and state debt probably exceeds $500 billion.

Necessary defense expenditures constitute a growing financial burden and many say there is no way to cut back on vast sums spent on farm and veteran assistance. Old age benefits have become a political football; and what may be worse, our foreign aid program apparently requires a never-ending stream of billions. People have begun to feel that even if we did sacrifice at home and save a billion or two, the government would simply turn around and pour the savings into some foreign aid program. So why attempt to economize?

A government policy of cheating savers through inflation in order to maintain easy money has all but destroyed a public market for bonds, at a time when the national debt proves difficult to manage and billions upon billions are financed in short-term maturities because the government just won't or can't pay the price

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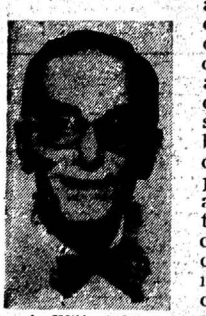
Observations . . .

By A. WILFRED MAY

BULL MARKET GADGETS

"Hidden Earnings"—Again

The currently increasing practice of misusing the concept of corporate "*cash flow*"—that is, a company's net profits *plus* the amounts charged for depreciation, depletion, or amortization of capital assets—should be realistically appraised. Not as a mere technical accounting concept, but as a matter of common sense, does provision for the replacement of wearing-out capital assets constitute an inescapable cost of production. The proclivity instead to transfer such charges to earnings, and include them as a basis in price-earnings ratio calculations, is just another means of rationalizing the presently existing low earnings yields (under 5%) and dividend yields (averaging 3½%) highlighting the current inflated market levels. Ferreting out these items as a tappable source of additional earnings is our present bull market's counterpart of the gay 1920's foible of defending the fantastically high price earnings multipliers of that speculative era by allegations about mysterious "hidden earnings" (when, actually, they were overstated more often than understated).



A. Wilfred May

The "cash flow-ists" contend that the provisions for depreciation reserves have become large and since the line of demarcation between such growing reserves and real earnings is inexact, the charges for depreciation of capital assets and the earnings may as well be lumped together in a single profit figure. But this argument (1) contradicts the widespread conviction that depreciation charges permitted by the Revenue Department are generally inadequate, particularly if we are in a secular trend of higher replacement costs, and (2) in assuming that depreciation reserves are over-adequate, is directly inconsistent with the inflation-expectation which is so strongly stressed by the same bullish individuals in justifying the elevated level of stock prices. Under progressive inflation, current provisions for replacement costs would be insufficient, not excessive — thus emphatically leaving nothing in the form of unstated income.

Perhaps the most curious feature of the cash-flow doctrine is the frequency with which it is found in close association with the emphasis on growth, which customarily involves a greater outflow of capital than the inflow from depreciation.

Cash flow is of course worthy of scrutiny and recognition—particularly in cases of extraordinarily large depreciation charges, as in the oil industry and depreciation acceleration under now-ending certificates of necessity; in affording flexibility for corporate borrowing over the short term; and as an indicator of the trend of the company's financial strength. It is likewise true that the cash flow can be regarded as a short-term backing for dividends. Corporations in 1958 paid out only 31% of cash earnings. (As estimated by Standard & Poor's.)

But it should be realized that, barring company liquidation, the depreciation reserve must be used for replacements sooner or later, and hence should not be previously side tracked in any manner. To enlarge the true earnings figure by such a device constitutes another speculation-serving bull market gadget.

As a matter of fact, even in terms of cash flow are stocks now high related to the equivalently calculated price-earnings ratios during previous bull markets. As thus estimated for the current 1959 period, today's market valuation of the Dow Jones Industrial Average is higher than any other peak market period, excepting only 1929, since the 20's.

* * *

More Splitomania Items

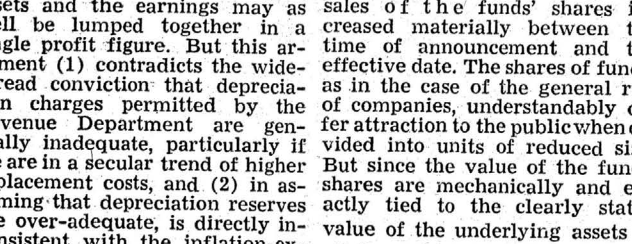
Pre-Split Fever:—

In the case of two recently "split" open-end mutual funds, sales of the funds' shares increased materially between the time of announcement and the effective date. The shares of funds, as in the case of the general run of companies, understandably offer attraction to the public when divided into units of reduced size. But since the value of the fund's shares are mechanically and exactly tied to the clearly stated value of the underlying assets at all times, investor attempt to anticipate extra gain by reason of a *coming* split, seems quite illogical. However, reflecting the prevalent undiscriminating speculative interest in the split, the usual rate of one fund's share sales and stockholder increase actually quadrupled in the interval preceding its splitting time.

"Candidate" Behavior:—

"Once burned, no longer shy, the Lukens Steel Company was ready with a quick comment yesterday, one day after its stock had soared more than $9 a share in one trading session on the New York Stock Exchange. Stewart Huston, Vice-President and Secretary, said, "Lukens Steel Company is contemplating no stock split nor is Lukens contemplating any consolidation or merger with any other company! Both a stock split and a merger had been rumored in Wall Street recently. . . . Yesterday, Lukens shares dropped sharply after Mr. Huston's statement, to close at 80¾, down 4¾ for the day but still well above Monday's close of 76½."—From the *New York Times, Feb. 5, 1959.*

Perhaps the most plausible argument in defense of splitting lies in the assumption that a pre-split high price causes inability or unwillingness to pay the market price on the part of would-be purchasers. But this is belied in practice by the high price earnings ratios, absolutely and relatively, pertaining to the "split candidates." In fact, these higher priced issues have often actually been selling at 30 to 50 times earnings—as a result of pyramiding attending split expectations as well as quality.



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The courses, including elementary and advanced classes, are entitled "Investment Guide for Moderate Incomes." Lectures and discussions will deal with the benefits and dangers of investing in stock, commodity, real estate and insurance markets. Investment portfolios will be outlined, analyzed and organized.

The elementary course begins Wednesday, March 4. The advanced class starts Tuesday, March 3. Registration is now open in branches of the New York Public Library in the Bronx, Manhattan and Staten Island. Course descriptions and instructions for enrolling by mail can be obtained by writing or calling the Extension Division, City College School of General Studies, New York 31, WAdsworth 6-5409.

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With Albert Maguire

(Special to THE FINANCIAL CHRONICLE)

SANTA MARIA, Calif. — Emil Such has become affiliated with Albert L. Maguire, 301 South Lincoln Street.

The State of Trade and Industry

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

A striking feature of the current phase of the recovery is the virtually unanimous feeling among businessmen and economists that 1959 will be a prosperous year, says the Federal Reserve Bank of Chicago in its monthly review, "Business Conditions."

The current "bullish" outlook for 1959 is so widespread, says the Bank, that dissidents are pointing to this very exuberance as a danger which could lead to a "flash flood" of boom and bust.

Whether or not the current optimism will endanger the recovery can only be answered in retrospect, but it is obvious that an exhilarating business atmosphere can produce overconfidence, with unfortunate consequences.

However, the extremes of optimism are usually most dangerous after a recovery has been under way for some time, and this upturn has been in progress only 10 months. At this stage of a recovery, expectations of improvement may help to produce the desired result.

In the present heady atmosphere of rising sales and general confidence, spending commitments of many kinds are more likely to be made. Plans for modernization or expansion are more likely to receive consideration. Apprehension over the risk of carrying a larger inventory is likely to give way to a greater concern over possible lost profits if stocks prove inadequate. Prospects of higher incomes spur consumer spending, and state and local governments are freer to tackle new projects as funds seem more readily available and needs become more apparent.

Of course, notes the Bank, there are exceptions to the optimistic views of the majority. They are found in industries, firms and communities which have not responded proportionately to the general business improvement. But recent reports from most business sectors back up the popular outlook of confidence.

In November, the book value of total business inventories rose for the first time in more than a year, and this build-up is expected to continue for some time to come.

Retail sales in December rose 4% above record levels of a year ago, and the Midwest participated fully in this late revival. The strong showing, says the Bank, virtually washed away the "first quarter blues" noted in some recent years when lagging business activity tempered enthusiasm for the spring and summer months.

New car sales rose sharply at the end of 1958, and deliveries through the first 20 days of January indicate that the month will show a substantial improvement over a year ago. This recent pickup in sales together with prospects for higher personal income have caused the industry to raise its sights on prospective output for 1959. Projections for the first quarter call for about a third more assemblies than in the same 1957 period.

Unemployment remains a nagging problem. The rise in employment was slowed in late 1958, but this was due in part to strikes and severe weather. And, the Bank adds, a further substantial rise in general activity can hardly fail to boost employment and reduce unemployment.

Unemployment Figures Rise 600,000 to 4,724,000

Yesterday the Commerce & Labor Departments reported an increase in unemployment figures to 4,724,000 persons in January, a seasonal rise of 600,000 or only half as great as the January 1958 figures when the recession was spreading. This January's jobless record was the highest for that month since the end of World War II. President Eisenhower at his news conference on Feb. 10 asserted that "I don't for one minute accept that as a satisfactory level of unemployment," and added "I believe thoroughly that we are going to have a pick-up as the year goes on."

Bank Clearings 8.5% Above Year Ago

Bank clearings in the week ended Feb. 7 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 8.5% above those of the corresponding week

Continued on page 30

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Petroleum in General and Sinclair in Particular

By DR. IRA U. COBLEIGH

Enterprise Economist

Containing some notes on the improving conditions in the oil industry, and some reasons why Sinclair may merit special attention at this time.

While 1958 is being entered in the record books as a recession year, it wasn't too tough on the oil companies. Total demand for petroleum products declined only 1% below 1957. But there was a substantial squeeze in profitability due mainly to heavy over-capacity in all departments built up as a consequence of the Suez crisis. This over-capacity was reflected in more competitive selling, resulting in lowered prices for most refined products; and lead to sharp reduction in domestic allowable production in Texas and Oklahoma, and programs for quantity limitations on imported crudes. And net earnings of the oil industry were 24% below 1957. Throughout this adjustment, domestic crude prices, which had been increased 30c a barrel early in 1957, were pretty well maintained, however.

Ira U. Cobleigh

All of which is now history; but what about this year? First the weather. This has been an exceedingly cold winter and unusually heavy demands for heating oils in January and February have sharply reduced inventories, and firmed price structures. Refinery runs now enlarging the supply of heating oils automatically add to the supply of gasoline. What then about the consumption of gasoline in 1959? Passenger cars use roughly two-thirds of our gas; and commercial vehicles most of the rest, with pleasure power boats a rapidly rising market. Passenger car requirements are expected to improve this year. First, 1,500,000 more cars are expected to be delivered than in 1958; and all cars, the new as well as the old, should be driven more as our per capita income reaches an all-time high, leisure time increases, and a net work of recently constructed super-highways lures millions of trip-takers. (A minor debit in this projection is the lowered gas consumption of the smaller domestic and imported models.)

Finally, the somewhat cyclical demand for heavy oils used in electric power generating plants, steel, cement and other heavy industry mills, should be strong this year animated by the high level of general business activity in prospect.

So we may conclude that 1959 will be a substantially better oil year, with total demand rising in the order of 4% over 1958; a less burdensome inventory situation; firmer and, in many instances, rising product prices; better profit margins with total net earnings for the industry rising by perhaps 15% to 20% over the 1957 totals. Such a conjecture, while not reeking with optimism, does suggest some consideration of leading integrated oil company equities, and causes us to select one such, to wit, **Sinclair Oil Corporation** common, as possessing considerable investment merit at current market levels.

Sinclair is an exceedingly well integrated company. It has seven refineries in the United States, with a combined capacity of 453,000 barrels daily; 1,600 bulk distributing stations and a retail distribution chain of 32,000 service stations of which 14,000 are either owned outright or leased, and the balance operated by independent dealers. Sinclair benefits from low transportation costs starting with pipelines delivering crude to the refineries, and a substantial net work of pipelines carrying the refined products to centers of distribution. All this, plus an extensive tanker fleet. Since 1949 some $640 million have been spent on these transport elements, financed for the most part, out of retained earnings.

Sinclair has built up its business from the refining end, and ranks presently eighth among domestic oil companies in total refinery capacity. Because it has been a refiner on balance, Sinclair has been striving for some years to bolster its own crude oil production both at home and abroad. Its production during 1957 equalled but 34% of domestic refinery runs. A much higher production ratio has been sought; and the most important gain along that line has been achieved by Venezuelan Petroleum Co. (96% owned) which has averaged over 53,000 barrels a day in production in 1958, against 25,000 daily barrels in 1957. Between import restrictions on Venezuelan oil, and reductions of domestic allowables, however, not too much progress was possible in bolstering crude sufficiency position in 1958. This year should be better, both because of continued use in Venezuela (Barinas Tract) production, and a long-term contract recently concluded with British Petroleum for delivery of low-price Middle Eastern crude. The agreement with British Pete also includes formation of two new companies, jointly owned with British Pete. The first is a marketing company for foreign-produced crude; and the second primarily a South American exploration enterprise.

In addition to about 650,000 net producing acres in Canada and the United States, Sinclair held about 9.6 million non-producing acres. Further, Sinclair owns 30.5% of Richfield Oil Co., with rising production and interesting discoveries in Kern County, Calif., and on the Kenai Peninsula in Alaska. (Sinclair stockholdings of Richfield have a present market value of around $120 million.) Sinclair also owns 29% of the outstanding shares of Texas Pacific Coal & Oil Co. and sought merger of this company by offering 1,776,498 shares of Sinclair for the 2,753,573 remaining shares of Texas Pacific Coal & Oil (a 1 for 1.55 ratio). This offer of share exchange was not voted on by Texas stockholders, and expired Jan. 28, 1959.

For the first nine months of 1958 per share net of Sinclair was $2.31 against $4.11 for the same period in 1957. For the full year 1958 earnings of about $3.70 a share seem probable—quite a bit below the $5.18 earned in 1957, but still coverage for the present $3 dividend. Since 1949, the cash dividend has risen, with four separate increases, from $2 to $3; and dividends have been continuously paid since 1933.

Capitalization consists of $370 million in long-term debt, the most attractive issue being $167,194,500 of 4⅜s due 1986, convertible into common at $65 per share through Dec. 1, 1961 and at a higher price thereafter. This issue at 115 yields 3.8% currently, and with the common at 67 will follow the stock with considerable fidelity. As a matter of fact many stock buyers today seem to prefer entry into an attractive equity via the convertible bond, providing they do not have to pay too dearly for their dual or straddle position. For such persons, Sinclair 4⅜s represent an interesting vehicle. The lowest price in 1958 was 106¼, and the bond could sell at 155 if the common sold at 100. And, of course, the convertible has a collateral value highly respected by lending agencies.

The 15,315,730 common shares of Sinclair are listed on the New York Stock Exchange and trade under the symbol "L." 1958 price range was between 46⅞ and 65⅞. Basis for considering "L" at today's prices is that the company is emerging from its poorest earning year in a decade (1958). It is in strong cash position, and with a revolving bank credit of $150 million requires apparently no further financing for some time to come. Cash flow for 1958 should be around $10 a share, and considerable higher this year.

Except as noted in respect to crude supply, the company is well balanced with retail outlets in 42 states. The new arrangement with British Petroleum places Sinclair in touch with a fabulous store of low cost Middle Eastern crude on which fat refining profits may be gleaned if and when import restrictions on foreign crude may become less onerous. Natural gas reserves were estimated 2½ years ago at over 2½ million MCF; and they are no doubt much larger today.

Sinclair entered the elite group of companies which gross over $1 billion dollars a year, in 1954. It is an impressive and well managed organization and the common stock has grown in stature and attained a quality rating within the past decade. Assuming substantially more favorable operating results this year, Sinclair could comfortably earn between $4.25 and $4.60. This might not result in a dividend increase in the next 12 months, but would pave the way for one in 1960; and Sinclair is getting into a price range where stock splits are high fashion. Projecting a 1959 net of $4.50 per share, "L" sells today at 15 times earnings. This is not an extravagant ratio for a stock of this quality and with such a favorable long-term potential. Whether by the tankfull, or in 100 share lots, Sinclair is a desirable possession.

Three With Suburban Secs.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Frank Gurkles, Eugene J. Kozell and Lawrence E. Batchlar are now with Suburban Securities Co., 732 East 200th Street.

Two With Commonwealth

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Thomas O. Conger and Karl M. Grau are now with Commonwealth Securities Corporation, 30 East Town St.

Lorenz Chairman of NASD District No. 9

COLUMBUS, Ohio — August Lorenz, President, Lorenz & Company, Inc., Columbus, Ohio, has been elected Chairman of District Committee No. 9 of the National Association of Securities Dealers. He succeeds Walter J. Carey, Treasurer, Cunningham, Gunn & Carey, Inc., Cleveland.

August Lorenz

District No. 9 comprises the States of Ohio and Kentucky. The Association recently reclassified its districts. Until the change, Ohio and a part of Kentucky were District No. 10.

Mr. Lorenz has been associated with the securities business for 47 years. He started with the bond department of The Ohio National Bank of Columbus and was elected a Vice-President in 1922 at the age of 28. In 1926 he became a general partner of Stevenson, Vercoe, Fuller & Lorenz, and in 1942 formed his own firm.

Joseph J. Van Heyde, with the NASD office in Columbus, is Secretary of District Committee No. 10.

I. L. Brooks & Co. Expands Organization

SAN FRANCISCO, Calif. — The Pacific Coast Stock Exchange firm of I. L. Brooks Securities Co., formerly a partnership, has incorporated as I. L. Brooks & Co., Incorporated and has moved to larger quarters at 333 Pine Street, San Francisco. The firm is seeking representation throughout Northern California for its Municipal Bond and Mutual Fund divisions.

President I. L. Brooks also announced that Joseph C. Eldridge has joined the firm as Vice-President and Treasurer. Mr. Eldridge has been active in the securities business for several years and is an instructor in investments at Golden Gate College.

Joins L. A. Caunter

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William R. Cohen has joined the staff of L. A. Caunter & Co., Park Bldg.

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The Outlook for Business And the "Fabulous Sixties"

By WAYNE L. McMILLEN*

Associate Economist, Guaranty Trust Company of New York

Bank economist envisions a peak year for 1959, with GNP possibly exceeding $70 billion, and a half trillion economy in 1960. In outlining what will be necessary to improve our efforts toward stable growth, Mr. McMillen recommends better capital plant, equipment and inventory business planning; notes that Government, too, has been guilty of erratic purchases; praises stabilizing influence of consumer spending but observes, however, that sizable shift from durable goods to services and nondurable goods has aggravated economic maladjustments; and deplores our lack of will power in coming to grips with inflation. He discusses how we can build a solid bridge to the "Fabulous Sixties," and issues the reminder that it will not be utopia but hopes we will achieve "frequent oscillations" rather than "periodic recessions."

This year the economic forecasts are almost unanimous as to the direction of the overall economy. There are the usual shades of opinion as to the magnitude of the movement. For the first time in several years we hear no voices predicting imminent calamity although a few are concerned about the stock market.

Wayne L. McMillen

I shall endeavor not to dispense with a tedious repetition of many figures and other "boiler plate" about the outlook. Perhaps we can do three things: (a) review some of the economic phenomena of the postwar period; (b) in view of relative agreement of forecasts devote somewhat less time to 1959, and (c) venture into 1960 and beyond, outlining what will be necessary to improve our efforts toward stable growth.

The Three Postwar Recessions

All three of the postwar recessions have been mild ones, even though some individual industries were hard hit. Because they were all mild, and because government and consumer action seemed so right on each occasion, many have come to believe we have mastered the art of managing the business cycles. The same thing could happen to us that usually happens to those who think they have really mastered any art.

Since the war, the country has been in a dynamic period of growth due to recovery from the great depression and the war. This was accompanied by large population increases. In such a situation a recession may resemble an interruption of growth more than a major setback in the economy. They were less serious than they might have been and we seemed to handle them properly.

The "automatic stabilizers" were powerful aids and in recent years the monetary policy of the Federal Reserve Board has been particularly astute. In the two earlier recessions timely tax reductions were major factors in recovery, yet in 1958 in a different situation, the Administration properly resisted tax reduction and was sustained by statesman-like support of the opposition party leaders.

Yet we must not forget that in both the 1949 and 1954 recessions the tax reductions came more as political accidents than as deliberate economic measures. In 1948 a Republican Congress approaching election day, but unaware of approaching recession, enacted a tax reduction over the strenuous objections of a democratic president. In fact, he had asked for a tax increase. Both sides were surprised to find the tax measure so beautifully timed.

Much of the tax reduction in 1954 was due to the ending of the Korean War, the expiration of the excess profits tax, and reduction in some other wartime taxes. However, some of the other reductions were meant as a first step toward a still needed tax reform.

This is not to belittle our great progress in managing our economic affairs, but is only to point out that a significant part of our success has been due to good luck.

The 1949 recession was brought about principally by a decline in business purchases through liquidation of inventories, and the 1954 recession by a drastic reduction in Federal Government expenditures. The 1958 decline was brought about by a decline in business purchases of both inventory and capital products. In large part it was a durable goods and mining recession. Nondurable inventories in the aggregate were not far out of line. Retail inventories, except for a very few products were in relatively good shape when the recession began.

However, in each case consumer purchases held firm. In none of the postwar recessions did consumer spending, even at the lowest point, decline more than 1%. Of course there were shifts from durable goods to nondurables and services and this caused hardships for several industries.

In the recent recession unemployment was considerable but social security payments maintained personal income which accounted for the high level of consumer spending.

The inference by this discussion is that the next big step in the promotion of stability could come about by businessmen doing a more careful job of inventory control and more careful planning of capital expenditures. Many can make a contribution toward this objective, not only for their own companies but in a small way for the general welfare.

Different Industrial Cyclical Peaks

The most recent cycle had an interesting aspect. In the boom that preceded the decline one should not be surprised that different major industries would reach their peaks at different times. But this time one major industry after another was reaching its peak over a longer period of three years. The first industry reached its peak in December, 1954 just after recovery from the previous recession had started. The last peak came in December, 1957 long after the general decline had started. In previous recessions the peaks were spread over 12 to 16 month periods compared to the 36 months this time.

Almost all major industries reached their lows in two months — March and April 1958. It is more usual for such lows to stretch out over a period of from 8 to 12 months. This probably accounted for the relatively greater depth of this recession as well as the quick turn toward recovery rather than the more usual tendency to drag on bottom for awhile.

There has been a growing tendency for inflation to carry right through a recession which is usually considered as a deflationary period. At the trough in 1949 consumer prices had declined 2%. At the trough in 1954 they had actually **increased** 0.7% from the start of the recession. In the 1958 trough there had been an increase of 2.3%.

Recent increases in productivity have caused an interruption to the persistent price increases.

Inflation

Our failure to come to grips with the inflation threat is due not so much to a lack of knowledge as to a lack of willpower. Like sin, we are all against inflation—**as far as the other fellow is concerned.** It is not an immediate threat for the months ahead. The longer term threat, however, will diminish when and only when we destroy the pleasant delusion that in the long run we as a nation can take more from the economy than we put into it. It's almost that simple. We often hear that "mild" inflation is not so bad and may be helpful in aiding growth. Even "mild" inflation is immoral, it leads to inefficiency, and it is dangerous. It is **immoral** because it robs from big segments of our population for the selfish benefit of others. It leads to **inefficiency** when we easily cover cost increases with increases in prices. This also leads to weak resistance to unjustified wage increases. It is **dangerous** because when it is persistent and most people believe it will continue, then at some point in the process they begin to act on that belief. All begin to buy at once thus bidding up prices till "mild" inflation becomes galloping inflation with disastrous results.

We should not let the current relative stability of prices obscure the fact that this remains the biggest single domestic threat to long-term economic growth. We have three choices:

(1) (a) Continue with wage increases which outstrip increases in productivity.
(b) Validate these wages with corresponding increases in the money supply. This is conducive to full employment until grave maladjustments occur such as pricing ourselves out of the international market, the markets of fixed salary groups, pensioners, etc. If this policy continues indefinitely then comes the crash and mass unemployment.

(2) (a) Continue such unjustified wage increases but
(b) limit the supply of money so that businessmen can no longer raise prices and pass the wage increase on to the consumer. Losses imposed in this manner would also cause substantial unemployment.

(3) (a) Confine wage increases within the limits of average increases in productivity and
(b) Expand the money supply just sufficiently to permit reasonable growth under relatively stable prices.

Obviously the last alternative is the only acceptable one, but it does not appear likely that it will be our choice within the very near future — at least until we've wavered a few more years between the first two alternatives.

In order for such a policy to be successful both businessmen and labor must concede that this policy is the most hopeful approach to reasonably full employment over the long-term. The first two alternatives can lead only to periods of super-full employment followed by periods of unemployment. Not only labor but **all** segments of the economy will benefit by a wiser choice of policy.

The Outlook for 1959

The recovery in 1958 started promptly enough and was of such magnitude that the average Gross National Product for the year is estimated at about the same level as that for the year 1957.

What can we expect for 1959?

Even with moderately bad luck, the general economic level should be the highest in our history. Each quarter should exceed the preceding one except possibly for the third one in which I am afraid that we'd better allow for a steel strike. But this strike should make for a vigorous fourth quarter. With a good automobile year, our Gross National Product should average $470 billion or more as compared with an estimated $439 billion in 1958.

The consumer, Federal, state and local governments, and business will all spend more. Plant and equipment expenditures should total $32 or $33 billion as against the $30 billion of 1958. The estimated $6 billion inventory liquidation of 1958 should turn to a $2 billion or more accumulation, thus providing an $8 billion stimulus to the economy.

Consumer credit may well expand $2 billion or more. Unemployment figures will be worrisome until late in the year. Near the end of the year Housing and Agriculture which were major factors in the recovery will cease to be the dynamic factors in the expansion which they have been recently.

Corporate profits may well be the highest in history. I think we'll get some surprises next Spring when we see the profits for the last quarter of 1958. Everyone expects improvement, but I believe that the leap in profits for those months will be dramatic, and such improvement will carry over into 1959.

1969 and Beyond

The economy should be in a healthy state as it enters 1960. Reasonably full employment, only slight increases in prices, and growing investment by business are the prospect. If businessmen make major mistakes it is more likely they will do so in 1960 than in 1959.

Will businessmen early in 1960 be alert to watch inventories to prevent the possible excesses for 1961? Will they attempt to expand their facilities too rapidly? Will they become complacent about costs and nullify the efficiencies they so laboriously instituted in 1958?

If they handle these 1960 problems wisely the period beyond 1960 can be stable and excellent. If not, 1961 or 1962 may see business again slashing its purchases and we'll have another typical postwar recession.

I know from personal experience that it is much more difficult to do careful planning than it is to talk about it. However, most of us can take advantage of experience and improve our performance if the proper objective is constantly before us.

It seems to me that early 1960 is the time when the critical business decisions will be made. These decisions will determine the economic climate in 1961 and/or 1962. Our postwar experience indicates that modern recessions are **caused** more through erratic purchases by business (capital equipment and inventory) and Government than by the consumer. True the consumer aggravates the situation by switching his purchases from durables to nondurables and services during a recession.

Thus businessmen have a heavy responsibility not only to their own businesses but also to the general welfare. Perhaps some study **now** can be helpful in making those 1960 decisions. For instance a consideration of events of 1956 can aid in improving forthcoming decisions.

Inventories

Permit me to illustrate the point with an example. In one of the durable goods industries new orders of the manufacturers during the last half of 1955 were exceedingly high due to the business recovery. During early 1956 it was widely expected that there might be a steel strike in July, and that steel prices would likely increase. It was common knowledge gained through exchange of information among businessmen early in 1956 that there was considerable hedging against that possibility. Even though the actual extent of hedging was unknown, it was known to be substantial. The reasonable conclusion would have been that if the boomlike rise in final sales were going to continue for an extended period, seasonally adjusted new orders for the first six months would have been increasing substantially—first because of impending sales increases and also because of the hedging in anticipation of the steel strike.

Actually new orders were **not** increasing and in view of the known facts this should have been the first signal for caution and careful inventory planning. Perhaps some people in the industry noted this caution signal, but in view of the prevailing psychology and not being completely convinced, they merely shrugged their shoulders. But, throughout the first half of 1956 seasonally adjusted inventories in the industry continued to climb, indicating a production rate considerably higher than sales. This might well have been a second signal for caution.

The steel strike did occur in July, 1956. Because extra orders had been placed in anticipation of the strike it would be reasonable to expect that new orders would decline in July. That did happen. But one should also have expected in the vigorous general pickup in the final quarter of 1956, **that new orders would have increased.** There was no such increase in the fourth quarter. Total new orders for the last half of 1956 were 5% less than during the first half. This should have been a third signal for caution.

Sales (seasonally adjusted) levelled off but production continued throughout the year at a level higher than sales. Naturally inventories continued to rise until at the end of 1956 they were 12% above those at the beginning of the year. This was the fourth signal for caution.

Sales held up through 1957, but they were still below output for the year. Production was cut in late Spring but was increased again in the fall through November so inventories climbed 3% more in 1957.

In November of 1957 it was finally concluded that there was an inventory problem, and in December production was slashed. From November, 1957, through April, 1958, production was cut by nearly 30%. While final retail sales of the industry decreased some in 1958 they held up remarkably well, so the drastic slash in output was almost entirely due to the inventory problem. This story multiplied by repetition in hundreds of companies is in large part the story of the 1958 recession.

Slightly different decisions in 1956 would have changed the complexion of the 1958 economic picture. Better inventory management might have prevented the recession. In this example, if production had been cut 3% in 1956 and held at that level (rather than the higher level) the drastic cut in 1958 would not have been

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

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necessary. Of course, hindsight is 20-20, but it does seem that there were at least four warning signals in 1956. A similar situation could develop in 1960.

Capital Expenditures

We shall not take the time to explore in detail the steps leading to a slash in capital spending. However, it seems to me that we have a similar situation. Here again most of the difficulty arose in durable manufacturing and mining. Capital planning, of course, is longer-term planning. Frequently we build a plant and equip it this year. We start production the second year. Startup time, including hiring, training, working the "bugs" out of the equipment, and bringing it into full production may consume most of the second year. Much of the capital investment in 1956 was in preparation for consumer or final sales in 1958 and beyond.

Recovery from the 1954 recession started in September of that year. The historical pattern of recovery is one of rapid increase in activity for the first few months — perhaps for a year or so. This is followed by a very gradual rise for a while. There is then a levelling off which might continue for some time until maladjustments occur in inventories or in other segments of the economy. Of course, things cannot always be this neat but if one has to project the future at anytime in making decisions, the most logical guess is that such a pattern may occur.

At the beginning of 1956 there had been an uninterrupted and rapid rise for 16 months. The best assumption at that time should have been that while a rise might continue it would be much more gradual. The gradual rise would be followed by a levelling off in the economy.

Yet in 1956 increase in capital spending was one of the greatest on record. Most plants to be built that year would not be producing until 1957, and many would not come into full production until 1958. One can hardly escape the conclusion that a great portion of the plant and equipment expenditures in 1956 were made on the assumption that a rapidly rising production would be required throughout 1957 and possibly 1958. Had that happened it would have been most unusual. Hence, the mammoth increase in 1956 seemed too big.

Of course, one must make proper allowance for the fact that much of the expenditure was for improvement in efficiency rather than increase in capacity.

While one cannot be too dogmatic it seems that with more modest capital spending in 1956, the situation would not have called for the drastic decline experienced in 1958.

Such postmortems are of little use except for knowledge gained which helps us in future decisions. In late 1959 and early 1960 we may be at about a similar stage of recovery as we were in 1956. With some caution in 1960 we may be able to make 1961 and 1962 look a lot better.

We can scarcely hope to eliminate business fluctuations. But with careful business planning we can work toward a goal of "frequent oscillations" rather than rugged cycles.

Plenty of Customers

The dominant and well advertised fact about the "'60s" is that we will have another explosion in population. The babies of the "'40s" will have babies of their own. They also will establish new homes. This does not guarantee prosperity but it will be a basic ingredient that with proper domestic and international conditions can lead to unprecedented growth in business volume.

With good management the years 1960-63 can stand as a solid bridge to what some have called the fabulous "'60s."

By 1980 the population may increase by 75 to 85 million people, the equivalent of five Canadas, or five New York States.

The number of those under 17 and those over 65 will increase almost twice as fast as those 22 to 64 from whom comes the labor force. This underlines the importance of the fight against inflation. For a shortage of labor is a powerful force toward inflation. But there will be periods in this span of years when the number of people between 24 and 35 years of age will increase more rapidly than the general population. Young people may find things difficult for a few years during the late "'60s." There will be alternating ease and tightening of inflationary pressures.

With 80 million people to eat up our surplus farm crops there should not be a "farm problem," and things should get much better for the farmer long before then. He should be doing well by the middle "'60s" by which time 20 million people will be added.

In Conclusion

(1) Erratic purchases of business and government have been the causes of modern recessions.

(2) The consumer has aggravated the maladjustments by shifting a significant amount of his purchases from durable goods to services and nondurable goods. But on the whole he has been the most stabilizing element.

(3) Even mild inflation is immoral, inefficient, and dangerous. We must concede that we can't take more from the economy than we put into it.

(4) The year 1959 will in most respects be the best in history—with employment worrisome during the early months and with inflation a threat to follow (in 1960). With Gross National Product possibly exceeding $470,000 billion in 1959 it may well hit a half trillion in 1960.

(5) Businessmen bear a heavy responsibility to the general welfare by better management of inventories and better planning of capital spending.

(6) One may conclude that the mistakes of businessmen in 1956 were important factors in bringing on the recession of 1958. The mistakes of 1960 may develop into the next recession.

(7) With better business planning in 1960 we may be able to build a solid bridge to the period 1963-1970, which some have called the "Fabulous Sixties." There will be an "explosion" of new customers for business.

(8) The so-called "Fabulous Sixties" should see improvement in the "farm problem," and we should see the end of it before 1980.

(9) By 1980 we shall have added the equivalent of Japan, or five Canadas, or five New York States to our population.

(10) It will not be utopia. There will be many discomforts and a few recessions. Let us work toward a situation where we can call them "Frequent Oscillations" rather than "Periodic Recessions."

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930,000	4	1962	2.25	1,200,000	3	1969	2.95	1,495,000	3	1975	3.15
965,000	4	1963	2.40	1,245,000	3	1970	@100	1,555,000	3.20	1976	@100
1,000,000	4	1964	2.50	1,290,000	3	1971	3.05%	1,610,000	3.20	1977	@100
1,035,000	4	1965	2.60	1,340,000	3	1972	3.10	1,670,000	3.20	1978	3.25%
1,075,000	4	1966	2.70					1,735,000	3.20	1979	3.25

*The right is reserved to redeem any or all of the bonds then outstanding, in inverse order of number, at par and accrued interest on February 1, 1969, or any subsequent semi-annual interest paying date.

The above Bonds are offered when, as and if issued and received by us, and subject to prior sale and approval of legality by Messrs. Preston, Thorgrimson & Horowitz and by Messrs. Houghton, Cluck, Coughlin & Henry, Attorneys, Seattle, Wash.

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Dealer-Broker Investment Recommendations & Literature

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

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.

Breakdown of Government Bond Portfolios of 13 New York City Banks—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Canadian Mining Stocks—Booklet—Draper Dobie and Company Ltd., 25 Adelaide Street, West, Toronto, Canada.

Canadian Pre Budget Monetary and Fiscal Outlook—Review—E. M. Saunders Limited, Victory Building, Toronto 1, Ont., Canada.

Japan — Economic survey — Chemical Corn Exchange Bank, International Division, 165 Broadway, New York 15, N. Y.

Japanese Oil Industry—Discussion with particular reference to **Mitsubishi Oil Co., Showa Oil Co.** and **Maruzen Oil Co.** Nomura 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—Year-end comparison and analysis of 13 New York City bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 20-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

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

Refractories — Review with particular reference to **General Refractories Company** and **A. P. Green Fire Brick Company**—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

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

Shoe Industry — Review with particular reference to **Brown Shoe Company** and **International Shoe Company**—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available are memoranda on **Beaunit Mills** and **Illinois Central Railroad**, and a report on **Singer Manufacturing Company.**

Technical Trends in the Market—Analysis—Sutro Bros. & Co., 625 Madison Avenue, New York 22, N. Y.

U. S. Banks and Trust Companies — Comparative figures — A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y.

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ACF Industries, Inc.—Memorandum—T. L. Watson & Co., 25 Broad Street, New York 4, N. Y.

Air Express International Corp.—Brochure—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

American Broadcasting Paramount—Analysis—Cohen, Simonson & Co., 25 Broad Street, New York 4, N. Y.

American Title & Insurance Co. — Memorandum — Weil & Co., 734 Fifteenth Street, N. W., Washington 5, D. C.

Arden Farms Co.—Memorandum—Bateman, Eichler & Co., 453 South Spring Street, Los Angeles 13, Calif.

Armstrong Cork Co.—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same circular are data on **Union Oil of California.**

Bell & Gossett Company—Analysis—Blair & Co. Incorporated, 105 South La Salle Street, Chicago 3, Ill.

Beneficial Finance Co.—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a survey of **Oil Stocks**, and a report on **Union Tank Car.**

Botany Mills, Inc.—Analysis—Woolrych, Currier & Carlsen, 210 West Seventh Street, Los Angeles 14, Calif.

Burroughs Corporation — Analysis — Edwards & Hanly, 100 North Franklin Street, Hempstead, N. Y.

Chicago Rock Island & Pacific—Memorandum—Hirsch & Co., 25 Broad Street, New York 5, N. Y.

Columbian Carbon Company — Analysis — Schweickart & Co., 29 Broadway, New York 6, N. Y.

Cook Electric Co.—Memorandum—Blunt Ellis & Simmons, 208 South La Salle Street, Chicago 4, Ill.

E. I. du Pont de Nemours & Company—Review—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. In the same bulletin are analyses of **Blaw-Knox** and **U. S. Rubber Company.** Also available is a report on **General Development Corporation.**

Gould National Batteries, Inc.—Survey—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same circular is a survey of **Hussmann Refrigerator Company** and **U. S. Rubber.**

Houston Corp.—Memorandum—Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

Ingersoll Rand—Data—Dreyfus and Co., 50 Broadway, New York 4, N. Y. Also in the same issue are data on **Gardner Denver** and **Chicago Pneumatic Tool.**

Interstate Securities Co.—Memorandum—A. C. Allyn & Co., 122 S. La Salle Street, Chicago 3, Ill.

Loew's Inc.—Analysis—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Midwestern Instruments—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a report on **Cessna Aircraft Co.**

National Acme—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are brief analyses of **Union Bag-Camp Paper** and **Seattle First National Bank.**

National Sugar Refining Company — Annual report — National Sugar Refining Company, 100 Wall Street, New York 5, New York.

A. G. Nielsen Co.—Analysis—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are analyses of **Miles Laboratories, Stone & Webster Co.**, and **Celotex Corporation.**

Pennsalt Chemical Corporation—Analysis—Mitchell, Hutchins & Co., 1 Wall Street, New York 5, N. Y.

Plough, Incorporated — Report — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Radio Corporation of America — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Rayonier, Inc.—Data—Oppenheimer, Neu & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are data on **American Machine & Foundry Co.**

Sealed Power Corporation—Analysis—A. G. Becker & Co., Incorporated, 60 Broadway, New York 4, N. Y.

Signal Oil & Gas Co.—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

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

West Canadian Oil & Gas Limited—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

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The election of Francis D. Frost, Jr., general partner of Hemphill, Noyes & Co., to membership in the Pacific Coast Stock Exchange through the purchase of a membership in the Los Angeles Division, has been announced by William H. Jones, Division Chairman.

Mr. Frost has been active in the securities business since 1919. He has been associated as general partner with various firms in Los Angeles and became a general partner of Hemphill, Noyes & Co., in charge of the Los Angeles office in 1952. The principal office of his firm is in New York City, with branch offices in numerous other states and holds memberships in the New York, American, Boston and Midwest Stock Exchanges and the Chicago Board of Trade.

Two With Irving Lundborg

(Special to THE FINANCIAL CHRONICLE)

REDWOOD CITY, Calif.—Donald W. Kirk and Charles A. Leonard are now with Irving Lundborg & Co., 710 Winslow St.

Now With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Grover G. Jones has become affiliated with Reynolds & Co., 425 Montgomery Street. He was previously with First California Company.

Sutro Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Everett L. Price has been added to the staff of Sutro & Co., 460 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

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NASD District No. 8 Elects Officers

CHICAGO, Ill.—James M. Howe, partner, Farwell, Chapman & Co., Chicago, was elected Chairman

James M. Howe T. Gordon Kelly

of District Committee No. 8 of the National Association of Securities Dealers, the largest organization of securities brokers and dealers in the country. The district comprises of States of Illinois, Indiana, Iowa, Michigan, Minnesota and Wisconsin.

T. Gordon Kelly, Vice-President of Collett & Co. Inc. was named Vice-Chairman.

John F. Brady, with the NASD office in Chicago, is Secretary of District Committee No. 8.

Swaney, Vachon, V.-Ps. Of Keystone Company

BOSTON, Mass. — Two senior Regional Representatives, John Swaney of Boston and Louis A. Vachon of Los Angeles, have been elected Vice-Presidents by The Keystone Company of Boston, it was announced by S. L. Sholley, President of the 27-year-old investment company organization.

Mr. Swaney has been Keystone's representative in New England and New York State for the past eight years, following 14 years as an underwriter and distributor in the mutual fund field. Mr. Vachon has been with Keystone for 14 years, first in Boston and Philadelphia and then for the last seven as the company's representative on the Pacific Coast.

Edw. Amazeen V.-P. of William Street Sales

Edward S. Amazeen has been elected Vice-President of William Street Sales, Inc., it was announced by Dorsey Richardson, President of the company, national underwriter for The One William Street Fund, Inc., and Scudder Fund of Canada Ltd.

Mr. Amazeen will be active in sales and sales service administration in the company's main office in New York, 1 William Street. He will also be regional representative in its New England territory covering the six New England states and Upper New York State with offices at 79 Milk Street in Boston.

Mr. Amazeen has long been active in investment banking circles and was most recently Vice-President and manager of the investment trust department of Coffin and Burr, Incorporated, investment bankers. He is a member and former chairman of the Investment Companies Committee of the Investment Bankers Association of America and has held several important committee posts in both the National Association of Securities Dealers, Inc., and the National Association of Investment Companies.

Dean Witter Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert A. Brown, Alton R. Cary, Jack G. Goss, William T. Howard, Donald E. McKee and Elmer F. Wirth have been added to the staff of Dean Witter & Co., 632 South Spring Street.

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What Should Be Considered In Reading GNP Projections

By DR. ORVILLE J. HALL
College of Business Administration
University of Arkansas

Arkansas economist exposes some of the pitfalls and other hazards that should be considered in reading GNP projections. Dr. Hall also outlines three questions that should be answered in ascertaining extent of price inflation in the secular trend. The writer hopes that the insight provided in interpreting changes in GNP furnishes a basis for rational interpretation of the rise of output in the United States.

As recovery continues and business resumes a more "normal" rate of production, record highs are being projected for this country's Gross National Product. The importance of the level attained by the nation's total output of goods and services lies, particularly, in its interpretation in terms of its per capita relationship. For example, an increase in GNP with a still greater increase in population would result in less GNP per capita. Also, record highs of GNP may be explained in part by inflation — with more dollars being required to purchase the same goods and services.

Prof. Orville J. Hall

This article points out a method of evaluating *changes* in GNP, and does not seek to predict such changes.

The post-World War II trend in value of GNP per capita has been upward both in dollars in purchasing power of each successive year and in dollars of constant purchasing power. The GNP per capita in United States in 1955 was $2,370, the next year it was $2,466, and in 1957 it was $2,537. Since this discussion centers on a *method of analysis* (rather than in explanation of the value of data used) the dollar amount of GNP per capita used to illustrate this method is of less importance than if an attempt was being made to project the GNP for a particular year. For this reason, an arbitrary GNP per capita value of $2,500 is used.

An increase in GNP to a record high could result solely from an increase in population, even assuming an unchanged, or even a lower, GNP per capita, and thus population changes must be considered in any worthwhile analysis.

We may be either generous or conservative in forecasting population changes. The U. S. Bureau of the Census' most conservative forecast for 1960 predicts a population of 179.4 million, and its most liberal forecast is one of 181.2 million. Similar low and high estimates for 1970 are 202.5 and 219.5 million, respectively. The mid-points between these projections are 180.3 million for 1960 and 211.0 million for 1970, indicating an increase for the decade of 30.7 million or an average of 3.07 million increase per year. On the basis of these projections, a population of approximately 205 million is forecast for 1968. Our per capita GNP of $2,500 discussed above, applied to our projected population figure of 205 million forecasts a GNP in 1968 of $512.5 billion.

The most conservative population estimates of the Census for 1970—some 202.5 million of persons—by like analysis predicts a GNP of $506.25 billion for that year. The Bureau's most liberal estimate of 219.5 million for 1970 indicates a GNP of $548.75 billion of a basis of $2,500 per capita. Any decrease in the per capita estimate would, of course, reduce the projected GNP values. However, for use in this analysis, attainment of a GNP of $500 billion by 1968 will be assumed. It should be pointed out that this projection is based on dollars of 1958 purchasing power, and it does not reflect any deflationary or inflationary influences or changes in our standards of living.

Any projection with respect to changes in prices of goods and services is subject to many hazards, and one estimate may be even less accurate than another. However, we are attempting only to illustrate a method of reasoning, in interpreting the significance of GNP projections. If we were making statistical forecasts, we would have to seek additional data and undertake more comprehensive studies.

Secular Trend Questions

These analyses assume secular inflation as a basis for their projection. Parenthetically, the reader may profitably answer three questions as a general guide to whether we may expect secular inflation.

(1) Do you expect repeated deficits in the Federal Budget to be financed, in part at least, by sale of bonds to banks, thus creating new bank credit?

(2) Do you expect organized labor to continue to be successful in obtaining higher wage rates and/or fringe benefits and thus increase labor costs with increasing output?

(3) Have you expressed your disapproval of secular inflation by any communication to your Senator or Representatives, or others in policy-making positions?

Your answers to these questions and the answers of other thinking persons, may provide a basis for projecting the trend of inflation.

The past is not necessarily a dependable basis for projecting the future. However, for our purposes it may provide a background against which changes may be evaluated. The data on the rise in consumer goods prices (based on 1947-49=100) suggest an average rise of 2.3 to 2.4 points per year for the past decade. If the same rate of increase continues for the decade ending in 1968, the rounded projection of $500 billion GNP for 1968 must then be revised upward by 20 to 25%. A 20% increase in prices by 1968 would indicate a GNP of $600 billion by that time.

Our most difficult task is to project changes in living standards that will have been effected by 1968. The estimate of $600 billion GNP ten years hence assumes that these dollars will continue to be spent for the same goods and services that consumers have been buying in recent years. To the extent that improved quality of consumption goods would provide greater "wearability" for such items as clothing, or longer life of durable goods, the same number of dollars (of constant purchasing power) would enable consumers to buy more goods, thus contributing to a rise in the rate of consumption. Every consumer, of course, hopes that his purchasing power will increase and thus let him buy *more* goods and services. We do not know whether this will occur, but to the extent that such an increase in rate of consumption does take place, the $600 billion GNP projection must again be revised upward.

The GNP per capita in the United States *in 1947 dollars* was $1,880 in 1945, $1,953 in 1955, $1,974 in 1956, and $1,958 in 1957. These data suggest that a rise in GNP per capita may be expected during the decade ending in 1968. Even a 3% increase for the decade would raise the $600 billion GNP to $618 by 1968.

The impact of *changes* in GNP is important, particularly insofar as it affects each individual. Projections of the *total* GNP become more significant in light of the question: "How will this affect my rate of consumption?"

This article presents a method of analysis of the impact of change in the Gross National Product on the individual and, except in a most general way, is not offered as a forecast of GNP at some future date. It is believed, however, that this method of interpreting changes in GNP provides a basis for a rational interpretation of the rise of output in United States at a time when we entertain the misleading view that each new record-breaking total value of goods and services is a new high in terms of real well being of each member of the increasing United States population.

A. G. Yeager Opens

SACRAMENTO, Calif. — Albert G. Yeager is engaging in a securities business from offices at 1820 Eye Street.

Willard E. Ferrell Opens

PHILADELPHIA, Pa.—Willard E. Ferrell is conducting a securities business from offices at 1033 Rhawn Street.

Dean Witter Adds Four

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Cecil A. Culp, James A. Gentry, Rawson E. Knight and Trevor C. Roberts have become associated with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Knight was formerly with Irving Lundborg & Co.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

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Treasury's Financing Views and Debt Management Problem

By CHARLES J. GABLE, JR.*

Assistant to the Secretary of the Treasury on Management of the Public Debt, Washington, D. C.

Treasury official hits speculative excesses in governments: anticipates heavy Treasury financing in 1959—though smaller in dollar volume than 1958—and a new high in short-term debt in the offing; and believes size of budget deficit is a secondary problem compared to psychological reaction of investors who see in this presageful evidence of continued inflation and, as a result, shy away from mortgage, corporate, municipal as well as Federal debt. Mr. Gable announces remedy is being sought to restrain undue speculation which will not hamper legitimate dealer operations and he deplores lack of savings institutions' and individual holdings of governments. He states Treasury's 1959 financing program will be dependent upon economic growth and fiscal soundness, and he fully supports a free bond market.

I would like to review some of the current problems which the Treasury faces in its debt management program. These are not problems which can be solved by applying a rigid set of rules. There are certain basic principles which we always try to follow, but the very fact that the economic environment and the market atmosphere in which the Treasury operates is constantly changing means that our approach to debt management must always be flexible.

Charles J. Gable, Jr.

The impact of changing circumstances on debt management policies was clearly illustrated by our experience in the calendar year 1958.

The past year was a year in which the debt was growing again. The debt at the end of December 1958 amounted to $283 billion.

This is a large debt any way you look at it and one which is woven into the asset structure of every major class of investor in the country. In the savings bond program alone an estimated 40 million individuals own bonds and about eight million are buying bonds currently through payroll savings plans.

The $283 billion public debt at the end of December represents an amount equal to 63% of the total gross national product. It is an amount equal to more than $1,600 for each man, woman and child in America. Not only is the United States Government the largest single debtor in the country, it accounts for one-third of the total debt owed by all individuals, all corporations and all levels of Government in the Nation.

After some reduction in debt early in the postwar period the public debt grew steadily again under the burden of heavy defense requirements and the Korean War, reaching a peak of $281 billion on Dec. 31, 1955. During the calendar years 1956 and 1957, under the impact of two years of budget surpluses, the debt was reduced to $275 billion. That $6 billion reduction has been completely erased, however, by deficit financing in the calendar year 1958, which increased the debt by $8 billion to a new high of $283 billion. This was the largest increase in the public debt for any year in the postwar period.

1958 Marks Postwar High

The job of adding a net amount of $8 billion to the debt in as sound a manner as possible last year required the Treasury to go to the market six times during the year to raise new cash of $17 billion, plus $2 billion more cash raised through additions to weekly bill offerings. This large amount of new cash borrowing was needed not only to cover the deficit but also to cover the retirement of other securities growing mainly out of marketable maturities paid off in cash and the redemption of wartime F and G savings bonds which are now maturing. At the same time the Treasury issued $50 billion of new securities in exchange for maturing issues ($28½ billion publicly held and $21½ billion held by Federal Reserve banks and Government investment accounts) so that the total of $69 billion new marketable securities issued during the year reached a new postwar high.

As part of this $69 billion job the Treasury issued $2.9 billion of long-term bonds and $16.7 billion of intermediate-term notes and bonds running from 4 years to 8½ years to maturity. As a result, the average length of the marketable debt was increased by two months during the year—from 4 years and 7 months to 4 years and 9 months. This was done despite the inability of the Treasury to extend any debt beyond 2½ years to maturity in the unsettled market environment which characterized the last half of 1958. The slight lengthening of the debt last year was in contrast to declines of approximately six months each in the average length of the debt during the two preceding years and brought the average back almost to the level of five years ago when the long postwar decline in the average length of the debt came to an end.

Despite the fact that there was an $8 billion increase in the total debt in 1958, there was a reduction of $3 billion in the amount of marketable debt becoming due within one year. Five years ago the under-one-year debt stood at $80 billion. One year ago it was $75½ billion. It is now $72½ billion, of which $51 billion is held by the public and $21½ billion held by Federal Reserve banks and Government investment accounts.

The job of Treasury financing in 1958 was made somewhat more difficult by the fact that Government investment accounts, which had provided a market for approximately $2 billion a year for Government securities on average during the postwar period as a whole, showed a decline of $0.8 billion in their investments. This was true because of the excess of expenditures over receipts in the Unemployment Trust Fund, the Federal Old-Age and Survivors Insurance Trust Fund and the Highway Trust Fund.

Bond Sales Broadened Credit Base

Treasury financing in the first half of 1958 was conducted in the atmosphere of recession, with rising bond prices, falling interest rates, and monetary ease. In this atmosphere it was appropriate that Treasury offerings were designed primarily to appeal to commercial banks, as debt management sought to complement monetary policy in its endeavor to increase the money supply and to better assure the availability of adequate credit for economic recovery. As a result commercial bank holdings of the debt rose by $5.8 billion in the first half of the year, even though the total debt was rising by only $1.4 billion. (See Chart).

With the exception of Series E and H savings bonds held mostly by small savers, all types of nonbank investors liquidated Government securities in the first half of the year, with most of the liquidation being accounted for by nonfinancial corporations at a time when their profits were shrinking and their tax liabilities were at a low point. Even the sale by the Treasury of $2.9 billion of new long-term bonds during the first half of the year did not result in a net increase in the holdings of Government securities by individuals and savings institutions since the bonds were paid for, in effect, by selling shorter maturities to banks.

In the second half of the year, with the economy entering into a period of vigorous economic recovery, two-thirds of the $6.6 billion increase in the public debt was absorbed by investors outside of commercial banks thereby lessening somewhat the inflationary impact of Federal deficit financing at a time when other demands for funds were rising and monetary policy sought properly to temper the rise in money supply. Furthermore, all of the increase in bank holdings was outside of the larger financial centers.

The Treasury would have preferred, however, that a larger part of its financing outside of the banks during the second half of the calendar year had been through longer term savers—such as individuals and savings institutions—rather than through nonfinancial corporations. In the latter case investment in Government securities is typically in the shortest term obligations available and is only one step away from an increase in money supply. On the other hand, longer term securities are purchased by savers with more permanent investment goals in mind.

The fact that savings institutions did add somewhat to their holdings of Government securities in the second half of 1958, reversing earlier trends, is an encouraging sign, however. Individuals added further to their E and H savings bond holdings in July-December 1958, but again reduced their holdings of the larger investor type F and G savings bonds and their holdings of marketable securities during the second half of 1958.

Singles Out Savings Institution

The persistence of the postwar trend of savings institutions away from Government securities is highlighted by the fact that the four major groups of savings institutions — insurance companies, mutual savings banks, savings and loan associations and pension funds—have reduced their holdings of Government securities from $27½ billion in December, 1952 to $26 billion in December, 1958. This was done at a time when the assets of these institutions were growing by approximately $100 billion.

As is shown in the accompanying Chart, therefore, the proportion of assets of each of these types of institutions invested in Government securities has shown in most cases a substantial decline during the last six years. Even in the case of rapidly expanding savings and loan associations, which have been building up reserves in the form of Government securities, their percentage of assets invested in Governments has declined slightly.

An analysis of individuals' savings during the last six years shows rather clearly that no individual savings found their way into Government securities on net balance during these years, despite substantial increases in E and H bonds. During the past six years individuals had new savings of $137 billion available for investment either through savings institutions or directly in securities and mortgages. Of this total $106 billion was placed directly in savings institutions, and as has been already indicated in the chart, no part of this flow of savings on net balance reached the Government securities market.

Refers to Individuals' Savings

Moreover, none of the remaining individuals' savings was invested directly in United States Government obligations either. An increase of $7 billion in E and H bond holdings was completely offset by a decline in holdings of other government securities. In effect, then, all of the funds available for direct investment during these six years went into corporate securities, into mortgages or into state and local government issues. In the latter case, of course, the Treasury is up against a particularly difficult debt management problem in trying to make its securities attractive to individuals who have the opportunity of buying tax-exempt state and municipal offerings.

A satisfactory solution to the problem of making government securities attractive to savings-type investors is not easy to find. The Treasury is, however, exploring all possible ways of encouraging greater participation in government security ownership by these purchasers.

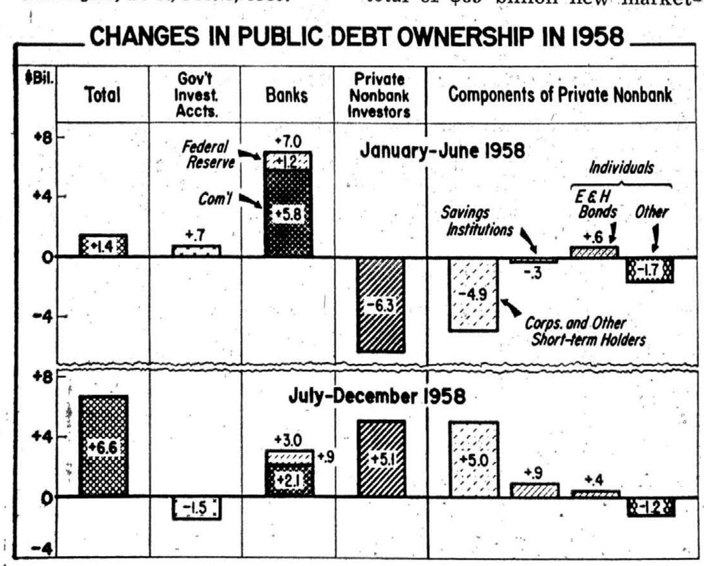
Hits Speculative Wave

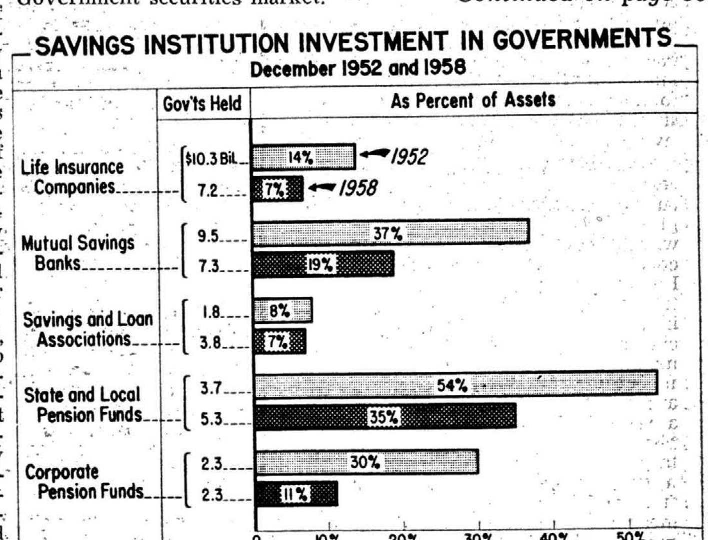
A discussion of the environment in which Treasury financing took place in 1958 would not be complete without reference to the rather dramatic changes in the market environment in which the Treasury had to do its financing. With interest rates declining and bond prices rising early in the year the Treasury had little difficulty selling securities which were priced very close to the market at the time they were issued. Subsequent market rises resulting from investor anticipation of continuing recession and monetary ease made each new security look quite attractive soon after issuance. As a result, particularly with regard to the 2⅝% seven year bond which was offered in June, there was an increased amount of speculative activity in new government issues on the assumption of a continuation of these trends.

The June intermediate-term bond was put out as one part of an optional offering in exchange for maturing securities and was subscribed for in an amount of more than $7 billion—considerably in excess of what had been expected by either the financial community or by the Treasury. This large amount presumably could have been properly digested by the market, however, if the trends of recent months had continued. But improvement in business news, plus rumors in the financial community as to a possible reversal in monetary policy, resulted in a sharp turnaround in the bond market. As a result many speculative buyers who had financed their purchases on little or no margin were forced to liquidate them. The resulting dis-

Continued on page 36

*From a statement by Mr. Gable before the Joint Economic Committee, Washington, D. C., Feb. 5, 1959.





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The New Federal Budget And Monetary Policy

By RALPH A. YOUNG*
Director, Division of Research and Statistics,
Board of Governors of the Federal Reserve System

Reserve economist ascribes to monetary policy the duty of avoiding inflation in fostering economic growth. Traces course of fiscal and monetary measures midst recent recession and recovery. Stresses crucial importance of a balanced Federal budget, citing dangers of increased spending — including its obstacle to effectiveness of monetary policy. Maintains inflationary hazards from larger Federal outlays can only be offset by additional tax levies. Concludes stable money requires long-term independence of money supply from the financing of chronic government deficits, although short-term counter-cyclical deficits and surpluses are permissible.

Monetary policy, through regulation of the supply of credit and money, has the duty of fostering sustainable prosperity and economic growth, without inflation. Other public policies are obviously also essential for realization of this goal. Indeed, if other public policies —particularly fiscal policy— fail to carry adequately their part of the load, monetary policy can be seriously handicapped in carrying out its special responsibilities.

Ralph A. Young

Monetary and Fiscal Policy in Recent Economic Decline

During recent economic contraction, fiscal and monetary measures were mutually reinforcing. Fiscal action during the recent period had a recession cushioning phase and a recovery stimulant phase. With regard to recession cushioning, the important features included transfer payment supplements to disposable income, automatic declines in tax payments, and positive administrative measures to swell defense procurement. With regard to recovery stimulation, major steps comprised an increase in national defense appropriations, provision of supplemental unemployment benefits, an increase in Federal pay levels, and enactment of emergency housing and highway construction laws. These fiscal actions, of course, had motivations other than pure stimulus to recovery; also, actual spending increases resulting from them lagged their enactment by several months.

In retrospect, these two phases of fiscal action had much countercyclical effectiveness. First, they contributed to maintenance of total spending in the economy. Second, through their optimistic impact on business expectations and later actual impact in expanding total spending, they helped to stimulate revival in aggregate activity.

Monetary action to combat recession also had two phases. The cushioning phase came early, beginning in the late Fall of 1957 when recession trends were first confirmed. It consisted of sharp Reserve Bank discount rate reduction and open market operations in enough volume to relax financial market tensions, to reduce to nominal volume the member bank indebtedness to the Reserve Banks, and to produce in credit markets a recognized state of ease. In the phase of recovery stimulus, monetary policy followed through with a generous provision of reserve funds to commercial banks by means of open market operations and lowering of reserve requirements, and by further discount rate reductions.

The aggressiveness of these actions was quickly reflected in reversal of contraction in the active money supply and then a very brisk expansion. Beginning in February, before the economic revival had actually set in, and extending through July when recovery was in full swing, the active money supply increased at a very rapid rate by historical standards.

Rapid Economic Recovery and Shift in Monetary Policy Towards Less Ease

Economic recovery after April a year ago took most observers by surprise, both in terms of timing and in terms of vigor. By late summer—with most broad measures of economic activity rapidly retracing ground lost during the decline—psychology in the financial community had shifted from concern about deflation to concern about inflation. Changed attitudes and expectations were dramatically reflected in the rapid rise of stock prices, in a sharp advance in market levels of interest rates, and in a resulting decline in stock yields below high-grade bond yields.

A contributory influence in the renewal of inflation psychology in financial markets was a growing belief that the Federal budget was out of control. This psychology found support in the elastic quality of current deficit estimates as the year wore on, in part reflecting unexpectedly large outlays for farm price support. It was also bolstered by focusing telescopic lenses on possible Federal spending programs—a magnifying process which converted possibilities into early realizations.

With evidence of rapid and vigorous recovery in output and employment cumulating, and in the face of the inflationary psychology in financial markets, it was both appropriate and necessary that the Federal Reserve System should take action to temper the expansion of bank credit and of cash balances. This action took the form of a curtailment of reserve funds supplied at the initiative of the System through open market operations and of two successive increases in Reserve Bank discount rates.

This was the classical method of retarding bank credit and monetary expansion. Just as it had been effective in the past, so it was again effective this time. In the last five months of the year, bank credit and monetary expansion was reduced to a rate much more consistent with the pace of economic advance and in the same period the Treasury was able to finance the bulk of its huge current deficit outside the banking system. Indeed, the active money supply, though it had shown rather wide recession-recovery movement, was just about 2½% higher at the end of 1958 than it had been at mid-summer 1957.

Importance of a Balanced Federal Budget

The maturing of economic recovery and the shift of monetary policy away from active stimulation has not convinced all that inflationary dangers have lessened. Some observers continue to view the large recession-recovery deficit with alarm and see unavoidable continuation of deficit financing. They further emphasize the inconsistency between a deficit posture of fiscal policy and a restraining posture of monetary policy. And they cannot see how monetary policy can do other than eventually give way, becoming in fact an engine for monetizing Federal debt.

This is a myopic perspective on the problem. It neither gives adequate weight to normal economic processes nor adequate weight to the public interest in, and public support for, a sensible Federal fiscal policy.

With respect to economic processes, if recovery now flowers into an extended phase of economic expansion—which is not an unreasonable expectation—this very fact will generate a substantial rise in Federal receipts, comparable to the rise experienced in the recovery-expansion period from fiscal 1955 to fiscal 1956. Both corporations and individuals can be expected to contribute to larger tax receipts.

With respect to the public interest side, the national goal of high-level employment with stable prices furnishes compelling imperative for action to hold down Federal expenditures so that receipts may have some chance to catch up with them. To make the two sides of the income-outgo ledger come into balance in the 1960 budget, the budget makers say that a catching up of tax receipts will not be enough. Beyond this, some modest cut-back in expenditures and some additions to tax receipts are needed.

Federal budget projection, despite all advances in the arts of economic forecasting, is basically a judgment process. The very best expert judgments in the Government and in the country are brought to bear upon it. Should the economy fail to expand and increase tax receipts as rapidly as these experts have judged to be possible, the budget would obviously not reach a balance. In this case, however, the economy would have unemployed resources, and the public concern would properly center more on the unemployed resources than on the deficit itself. If this were to be the situation, no untoward problems would be presented to either debt management or monetary policy in financing the deficit through financial markets. This prospect, in other words, would not be inflationary.

The biggest budget risk ahead is that pressures for special spending actions beyond the Administration's budget goals will prove irresistible. Larger Federal spending might conceivably accelerate some of the pace of real economic expansion. But at the high levels of activity already projected for the budget, more Federal spending might merely substitute for more private spending.

At high levels of economic activity, the monetary supplement to savings each year must have some limit if inflationary dangers are to be avoided. Accordingly, under conditions of deficit from larger Federal spending, competition between the Treasury and private spenders of borrowed funds would be much intensified. Admittedly, in these circumstances monetary policy would be under acute pressure in resisting the resulting heavy demands for bank credit and monetary expansion.

To avoid the inflationary hazards of larger Federal spending, if such spending finds support with public opinion, any resulting deficit will need to be met by additional tax levies, preferably in sufficient size to create a Federal cash surplus. Indeed, only positive tax action could make monetary and fiscal policy mutually reinforcing under prospective prosperity conditions. In addition, positive tax action would be essential to lay once and for all those current inflationary fears that rest fundamentally in disbelief of our national fiscal responsibility.

A monetary policy designed to maintain a stable value for the dollar is one in which longer term growth of the money supply is kept consistent with the longer term growth of the economy. A fiscal policy consistent with sound monetary policy is one that provides a longer run balance of receipts and expenditures, though it permits of countercyclical deficits in times of recession offset by countercyclical surpluses in times of prosperity. History has more than once proved that stable money is not possible if expansion in the money supply is geared first of all to the financing of chronic deficits of government.

*Round table remarks of Mr. Young, Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System, before the 391st meeting of the Conference Board, New York, Jan. 23, 1959.

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Penetrating Effect of Federally-Controlled Interest Rates

By WALTER C. NELSON*
President, Mortgage Bankers Association of America and President, Eberhardt Company, Minneapolis, Minn.

Mortgage banking spokesman describes the effect of Federally-controlled interest rates in the mortgage banking industry. Mr. Nelson rebuts proponents' belief that fixed interest rates benefit those whom the Government is trying to protect; points out the home-builder increases his price to offset discounts he must pay; and reviews other undesirable problems created. The banker pleads for the lifting of FHA rate to its maximum of 6% which would provide for all practical purposes a free rate, and suggests a study be made of flexible FHA interest rate dependent on the yield of long-term government bonds.

If we are to discuss this subject objectively, it seems to me that we must try to understand the reasoning of the proponents of fixed interest rates. I know that for those of us who deal in money and mortgages, a feeling of frustration occurs in any search for factual data in an attempt to make a case for the other side.

Walter C. Nelson

Historically, the FHA rate was not fixed at a price which would not produce a par market for the mortgages. The idea that the government should fix the interest rate on privately financed mortgages is of fairly recent origin. It had its beginning shortly after World War II. If you will recall, FHA started in 1934, and the plan of the authors of the Act was to promote home financing for a much larger group of our citizens. The principal factor, as far as the borrower was concerned, was to permit purchase of a home with a much lower down payment and a smaller monthly payment. Through the medium of mortgage insurance, investors were expected to take the risk of a high percentage loan and a longer maturity. The authors also expected the Act to provide a better flow of money from the areas of capital surplus to those of capital shortage. In addition, it was a vehicle by which investors could legally make a higher percentage loan to value without requiring a change in the various state laws. It certainly was not expected or desired that FHA should dictate the interest rate at which private investors should be expected to make the loans in order to accomplish these objectives.

On the contrary, the original administrators of FHA were careful to see to it that the interest rate they were required by law to set on insured mortgages was safely above the market. In fact, in order to make sure of market acceptance, at the beginning, they fudged a little by permitting an annual service charge of ½% in addition to the maximum statutory interest rate.

Following this example throughout the prewar period, the interest rate on FHA mortgages remained consistently above what was generally the going rate in the market. It is true, of course, that the FHA rate was reduced from time to time, and ultimately the service charge was dropped But in taking these steps, FHA always **followed** the market. It never preceded the market, and it never dictated to the market.

***An address by Mr. Nelson before the 4th annual Southwestern Senior Executives Conference, co-sponsored by Mortgage Bankers Association of America and the School of Business Administration of Southern Methodist University, Dallas, Texas, Jan. 27, 1959.**

Why Is Fixity Continued?

Just when and how did we get sidetracked from these original philosophies, and what have been the reasons for the continuance of this fixed interest rate below market levels?

I believe we can generally agree that the Veterans Loan Guarantee Program must take a major portion of the responsibility for this change in administrative thinking. The Veterans Administration, of course, intended to give the veteran preferential treatment in the home loan market both from the standpoint of interest rates and from the standpoint of protection from excessive prices. In effect, the insurance premium on the high percentage VA loan was to be paid by the Veterans Administration, and the veteran had a simple rate of 4% without additions such as the mutual mortgage insurance premium.

When the Veterans Administration came into being, a 4% rate was generally the going rate for home mortgages, and certainly it was proper to establish 4% as a fair rate on the VA loan at the time it was started. Interest rates had been going down for over a decade because of a lack of demand for long-term funds.

In 1952 and 1953, however, interest rates began to move upward, and it was felt by some that a plan had to be evolved to protect the veteran from the avarice of the money lenders. The "powers that be" developed the thought that the VA feature was so valuable to an investor that he would not only be willing to lend a higher percentage for a longer term than had been customary, but also that it could be at an interest rate lower than the market rate.

It was determined that Congress could properly fix that rate, and, as you know, the FHA program was soon brought into the sphere of congressionally controlled interest rates. More recently, of course, another degree of control has been added by placing a rate ceiling on VA loans at ½% less than the FHA loans.

The problem that has developed and seemingly is an endless struggle is the contest between market forces and political judgment. The market is just not convinced that the arguments of the fixed rate are sound. For five years we have seen government sponsored mortgages selling at something below par ranging from a discount of 1% to as much as 12%.

We are prone to blame Congress for much of the delayed action in providing a workable interest rate, but we are certainly subject to their criticism for this thinking. The FHA Administration has had ample authority to provide a satisfactory interest rate in line with market requirements. It is only the effort to continue to hold the FHA and VA rates at a comparatively constant difference of ½% that has created our most serious problem.

Who Would Benefit?

There may be a feeling on the part of some that a more flexible rate in a rising market is only for the benefit of the lender. I should like to point out some of the other penetrating effects of Federally-controlled interest rates.

As interest rates rose from 1951 to 1953, the combined volume of FHA and VA activity (in terms of mortgages insured or guaranteed) fell 40%, and the number of new housing starts under those programs fell from a high of 700,000 in 1950 to a low of 400,000 in 1953. During the same period, the number of starts under conventional or all cash arrangements remained almost constant, at just under 700,000. The fluctuation was actually less than 1% on conventional starts.

During 1954 and 1955, demand for longer term funds from other borrowers abated, and FHA and VA rates were again attractive to the market with the result that we had a large increase in private housing starts—namely 1,300,000 starts in 1955. In 1956 and 1957, interest rates stiffened and FHA and VA rates were held constant in spite of their obvious failure to meet market requirements. It wasn't enough that we had fixed interest rates, but insured and guaranteed mortgages were also held under a control of discounts for a period of time. Fortunately, this was eliminated before the home-building industry had gone into complete collapse, and some semblance of marketability returned by use of discounts and an increase in the FHA and VA rates.

The Mortgage Bankers Association, along with others, have tried unsuccessfully to have a free or flexible rate on FHA loans. Last fall at our annual convention we heard two of the government representatives extol the virtues of a flexible or free rate. This raises the question of what can be done to provide flexibility and still allow Congress or the Administration to retain some degree of control without limiting the marketability of insured and guaranteed loans to a dangerous point.

Formula Based on Long-Term Yields

As far back in the past as 1950 our own Bill Clarke suggested a flexible self-executing formula based on the yield of long-term government bonds. This is a very interesting proposal and certainly provides some basis for compromise between those groups in government that opposed the complete elimination of a ceiling rate on government-backed mortgages and the investors who must necessarily exercise their prudent judgment in the investment of trusteed funds. Any plan such as this would certainly require careful study to establish to some degree of accuracy the differential necessary to provide a marketable FHA interest rate. This differential, according to studies which have been made, indicates a spread of 2 to 2½ points would have been required in most recent years.

One of the fallacies of this approach, however, lies in the supposition that all FHA and VA mortgages should command the same price. Those of us who originate and sell government-backed mortgages know that many factors are introduced into individual mortgages that make a yield differential important to the investor. For example, many investors vary the price on a loan, depending on the down payment and term of the mortgage. Again, some investors will look with less favor on a mortgage on an older property. More than almost any other factor we have the supply of mortgages acting as a factor in establishing the price. At present, there are a few areas in the East where FHA 5¼% sell at par simply because the supply of mortgage funds exceeds the demand. On the other hand, we have areas such as California, Texas, and Florida where population growth creates an excessive demand for mortgage money as compared to the supply. In other words, although we may have flexible or free interest rates, we probably will always have variations that will need adjusting by use of small discounts or premiums.

I believe I should summarize, however, by pointing out some of the obviously undesirable problems that we seem to develop under our present systems and suggest some of the cures.

Does Not Benefit the People

First of all, I do not believe that controlled interest rates below the market level benefit the people that our government is trying to protect.

The home-purchaser **does pay the discount.** It is a fallacy to believe that the home - builder doesn't increase his price in an effort to offset discounts he must pay to secure the financing. Also, the original purchaser of the property pays all of the rate differential based on the anticipated life of the loan. By an adjusted interest rate, moving with market requirements, he pays the higher rate only during the period of actual ownership.

It is not possible to estimate the buyers who are required to pay excessively high rates by resorting to secondary financing. This is especially true in the used house market because sellers do not understand and are frequently unwilling to pay the required discount. This had led to the undesirable practice of increasing the price of the older home to provide a market for the sale of secondary financing paper.

Last, but not least, is the great fluctuation that is created in new housing starts as the builder approaches each year with uncertainty and mental trepidation. Unless his financing has been arranged well in advance of his starting construction, he may well "lose his shirt" because of discount requirements placed on him in order to provide an unrealistic rate for the actual borrower of the money.

In conclusion, let me say, although a flexible rate tied to long-term governments may be better than our present plan, I am inclined to believe that the FHA rate should be lifted to its maximum of 6%, which for all practical purposes would provide a free rate. It wouldn't take long for the market forces to be brought into play and the rate would adjust itself to the satisfaction of both borrowers and lenders. All plans of control by forces other than the borrower and the lender tend to develop practices which prove harmful to our entire economy.

From Washington Ahead of the News

By CARLISLE BARGERON

It is easily understandable why our State Department would appear to be intransigent in the matter of the Russians' proposal to turn East Germany over to the Germans and to pull out. The State Department's attitude is that it is utterly impossible to deal with the Russians and it is just a waste of time to make the effort.

Carlisle Bargeron

However, the East German proposal deserves some serious consideration. It is difficult to see just what we would lose. Of course, that is assuming we stay in West Germany. The Russians say that if we refuse to agree on their returning East Germany to the Germans they will do it anyhow and leave it to us to deal with the East German Government. That could not be any worse; to all indications it would be better. For one thing the East Germans are not as strong as the Russians.

We seem to have a phobia about dealing with the East Germans. We don't want to recognize them as a separate government. On two occasions now our aviators have landed in East Germany and were captured. We let them remain in jail for days and days while demanding that the Russians turn them loose.

There is something else that I have not seen mentioned in any of the discussion about removing Russian troops from East Germany. The only justification of the Russians being in Poland and Hungary they aver, is to protect their lines of communication. They occupy East Germany; therefore they must occupy Poland and Hungary and Czechoslovakia to guard their lines of communications.

If they give up East Germany what will their excuse be to remain in these other countries. Is it possible that they intend to give up their occupation of these countries? This writer does not know anything about Hungary, but if there is ever any relaxation of the Communist hold over Poland that country will come out from under the yoke. Russia took over Poland after the first World War. They did not hold her for long. Poland relatively quickly asserted herself and told the Russians to get out. The Russians did.

We have a lot of critics in this country against our giving aid to Poland. For reasons which I can't express very well, and apparently the Administration can't either, I think our aid is a good investment. The hatred which the Poles have for the Russians is deep-rooted and long-lived.

I remember a trip I made to Russia and Poland several years ago. Leaving Moscow at near midnight on the famous Trans-Siberian express we came to the Polish border about noon the following day. After about an hour at the Russian customs, we boarded the same Russian train which then moved three miles over a No Man's Land. Half-way across there were two guard towers about 100 yards apart. Atop one was a Russian soldier looking at Poland. He wore a bedraggled uniform and carried a rifle which I am satisfied, would have fallen to pieces if fired. Atop the Polish tower was a nattily uniformed Polish soldier looking at Russia. His rifle seemed to be in perfect condition. About a mile further we came to the Polish customs. Drawn up was a fully Pullmanned train of about 12 cars. It was an express all the way to Paris. The dining car was perfect, the accomodations were perfect. It was amazing that in such distance conditions should be so different. Nevertheless, as we swept through the Polish countryside there were perfectly kept farms, well painted barns and homes. It was like coming out the darkness into the daylight.

I will lay my money on the Poles if they ever get a chance.

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Setting the Record Straight About Soviet Trade Desires

By HON. C. DOUGLAS DILLON*
Under Secretary of State for Economic Affairs
Washington, D. C.

Mr. Dillon says he was the only U. S. official who discussed trade in detail with Mr. Mikoyan in explaining why Soviet overtures for increasing trade are insincere. Mr. Dillon declares "the only thing the Soviet needs to do if it really wishes to expand its trade with us is, quite simply, to begin trading." The former investment banker: (1) compares U.S.S.R. and U.S.A. avowals and deeds; (2) suggests what U.S.S.R. can do to create greater business confidence; (3) queries low level of Soviet's exports to Free World and determined drive to capture Asian, African and Latin American economies by trade and aid techniques; and (4) outlines what we should do to assist newly-emerging areas.

Recently, the foreign economic policies of the Soviet Union have become a matter of increasing importance to all of us who have an interest in world affairs. I would like to examine the hard realities of Soviet foreign economic policies—both with the industrialized West and with the newly-developing areas of Asia, Africa and Latin America—and then outline our government's position regarding trade with the Soviet Union. I shall also briefly touch upon our own trade and financial programs aimed at helping the newly-emerging countries achieve material progress under freedom.


C. Douglas Dillon

We are all, of course, aware of the well-publicized visit of Soviet Deputy Premier Mikoyan to some of our major industrial and financial centers. His private tour and meetings with American business groups had, among other purposes, the airing of the theme of greater trade with the United States. This campaign began with Soviet Premier Khrushchev's letter to President Eisenhower last June. In that letter, you will recall, Premier Khrushchev proposed a significant expansion of United States-Soviet trade, claiming it could amount to "several billion dollars over the next several years."

President Eisenhower replied that the United States favored an increase in peaceful trade, that the way was open for the Soviets to expand their trade with the United States if they so desired, and that the Department of State was prepared to discuss the matter further with them.

What happened next?

The Soviets promptly initiated a series of aggressive actions against the free world which inevitably resulted in a marked heightening of tensions. I refer to the Soviet Government's actions in the Lebanon and Jordan crisis, in the Taiwan Straits crisis, and most recently, in Berlin.

This, then, is the inauspicious setting against which we must measure the Soviet leaders' seriousness of purpose in their talk of expanded trade with the United States.

What lies behind the talk? Do the Soviet leaders—who are well aware that the chief limitations to an increase in trade with the United States are limitations of their own creation—really desire to expand commerce with the United States? Or do they calculate in advance that their efforts to secure one-sided concessions will fail—and thus provide them with an excuse for refusing to include the Soviet consumer in the benefits of their expanding industrial growth?

In attempting to find the answers to these questions we should keep in mind the basic nature of the Soviet system:

Describes Basic Nature of Soviet System

A nation's foreign policy, including its economic component reflects its domestic policies and institutions. The Soviet Union, as you know, is a totalitarian dictatorship, firmly ruled by a small elite in the Communist Party, which is dedicated to eventual Communist world domination. Economically, the Soviet Union is characterized by state ownership of land and the means of production, state control of the labor force, and domination of the right of individuals to make economic decisions by centralizing all economic power in the hands of the state.

As an integral part of Communist strategy, the Soviet leaders manipulate their economy to attain maximum growth of heavy industry under forced draft. Their objective is starkly simple: the achievement of both economic and military world supremacy. Their method is the concentration of investment in heavy industry at the expense of the Soviet consumer. Thus, they subordinate the economic well-being of the individual to the rigid demands of overall state planning.

Now, what role does foreign trade play in the Soviet scheme of things?

In keeping with Soviet theory, one of the Communist leaders' first moves after the Bolshevik revolution was to establish a state monopoly over foreign trade. Inherent in the type of economy they were creating was the need to deliberately isolate the Soviet economy from world market forces and allow Soviet planners to exercise full control over the domestic economy. This absolute state monopoly also permits them to turn trade off and on and to shift its direction to suit the Communist strategy of the moment.

From the very beginning of the Soviet industrialization drive, foreign trade was bent to the task of importing heavy machinery and equipment incorporating the latest technological advances developed in other countries. Imports of consumer goods were virtually eliminated in favor of basic industrial equipment. During the early '30s, these imports of the means of production enabled the Soviet Union to launch new industries at levels of development which had taken the West years to achieve through costly research and development.

Thus, by tapping the advanced technology of the West, the Soviet Union was able to gain years in terms of economic development. Soviet leaders, including Mr. Mikoyan on his recent visit to Detroit, have publicly recognized this historic fact.

Soviet's Goal of Autarchy

We must recognize another, equally historic fact: to Soviet planners, trade with the free world is always subordinated to the overriding goal of self-sufficiency. Let me remind you that once the Soviet planners completed their procurement program from the West in the early '30s, trade with the outside world fell off drastically.

Since then, their trade with the United States has never regained a comparable level—except during World War II and the immediate postwar years, when, as you will recall, this country shipped some $11 billion worth of lend-lease and UNRRA goods to the Soviet Union.

From the public statements of Messrs. Khrushchev and Mikoyan, it would appear that they now desire to repeat the pattern of the '30s. There is good reason to believe that their renewed interest in purchasing from the West stems from the new Seven Year Plan which is now being unveiled. We can anticipate that this plan will be a major topic during the 21st Congress of the Communist Party. This plan has been heralded by the Soviet leaders as a major step toward the accomplishment of their announced goal of overtaking and surpassing the United States—a goal, we could consider a welcome challenge if the Soviet people, rather than Communist world ambitions, were its primary intended beneficiaries.

From what we know of the plan so far, it appears that the Soviet consumer will continue to be short-changed in favor of another major industrial "leap forward."

To assist in carrying out their ambitious plans, the Soviet leaders are one again counting on appeals to the profit motive inherent in our free enterprise system to enable them to obtain a large stock of advanced technology and equipment—and primarily on credit.

Soviet Pre-condition to Chemical Trade

Premier Khrushchev himself has made this abundantly clear: Last May, he stated that it would be "expedient" to purchase plant and equipment for the chemical industry from the "capitalist" countries to avoid wasting time on "the creation of plans and mastering the production of new types of equipment." Then, in his letter to President Eisenhower, he pointed out that since the materials desired by the Soviets could not be paid for by their exports, the Soviet Union would be willing to accept long-term credits from the United States. This suggestion was presented to me as an absolute pre-condition to increased trade during my talks with Mr. Mikoyan.

The Soviet leaders apparently do not wish to divert sufficient resources into exports to acquire the large volume of capital equipment which they desire, on a pay as you go basis. Hence, Premier Khrushchev in his letter, and Mr. Mikoyan during his visit have, in effect, invited us to help finance the continuing rapid expansion of Soviet industry.

Now, goods purchased by a country must be paid for either by its own exports or by obtaining foreign credits. In the Thirties, the Communists procured foreign capital equipment by exporting grain at prices below an already depressed world market—despite the fact that millions of Russian and Ukranian peasants were dying of starvation.

Today, as then, Soviet exports consist mainly of raw and semi-finished materials, sold in bulk. Thus, because of its economic system, the world's second largest industrial nation has, in its dealings with the Western World, a commodity export pattern not unlike that of many under-developed countries.

To such traditional exports as wood products and manganese, they have recently added tin, aluminum, oil and oil products. Because of price cutting tactics, so typical of a state trading monopoly, these sales in the Western World have already proven injurious to such traditional Free World exporters as Bolivia, Malaya, Indonesia and Canada.

Manufactured goods have thus far been offered sparingly outside the bloc, and mainly in politically motivated trade with selected target countries in the less developed areas of the free world. However, with the growth of Soviet industrial capacity, this component of their exports to the free world may be expected to increase.

Nevertheless, there is every indication that the main thrust of the Soviet export drive will continue in the field of basic materials, where it will pose a continuing threat of market disruption which would adversely affect the economies of our normal trading partners in the less developed areas of the free world. This concentration of Soviet exports in the field of basic materials also worked to limit Soviet exports to the U. S. for we have solidly established trade patterns for the purchase of these items in large part from the less developed countries.

Now Mr. Mikoyan has repeatedly stated that the United States Government does not wish to see increased trade with the USSR. He puts the entire blame for the present low level of trade on the United States.

Sets the Record Straight

Let us look at the facts — at what actually occurred during Mr. Mikoyan's talks on trade with United States officials. On this matter I can speak with some authority, as I was the only U. S. official with whom Mr. Mikoyan discussed trade problems in detail.

First of all, to set the record straight, Mr. Mikoyan was assured by ever official with whom he spoke, from the President on down, that the United States now, as always, favors an expansion of peaceful trade between our two countries.

But we pointed out that trade is the result of mutually advantageous agreements between willing buyers and willing sellers.

In this country, the conduct of our commerce is in the hands of private firms and private individuals.

The Soviet state trading monopoly is at liberty under our laws to enter our free market and to buy and to sell. Its American outpost, AMTORG, is established in New York and has wide commercial contacts.

There is only one restraint on AMTORG's activities. We cannot be expected, as a country or as a people, to provide the Soviet Union with the sinews of war while its policies menace our own and other free world countries with whom our security is linked. Therefore, such items are embargoed for export to the Soviet bloc.

We have only recently completed our second major revision of the list of strategic goods subject to export licensing control. As a result, the list of goods which the United States will not license for export to the Soviet bloc has been significantly pared down. Actually, only about 10% of all our products moving in international commerce are subject to embargo.

In this connection, I understand that while he was in Detroit, Mr. Mikoyan complained of our system of export controls. He said in effect that only such items as chewing gum, firewood, and laxa-

Continued on page 29

*An address by Mr. Dillon before the Mississippi Valley World Trade Council, New Orleans, La., Jan. 27, 1959.

All these Shares having been sold, this announcement appears as a matter of record only.

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Electricity in Our Future

By S. L. DRUMM*

President, West Penn Power Company, Greensburg, Pa.

Electricity's revolutionalism on our life has only been the beginning Mr. Drumm insists in providing an insight as to what lies ahead in 1979—marking a century of utility service. The industrialist envisions 29,000 kwh. of electricity per employed person, compared to 3,000 kwh. in 1930 and 10,800 kwh. in 1957; and such industrial-commercial usages as: electronically controlled flying vehicles and guided cars, revival of electric-driven cars, fully automatic industrial processes, and countless additions to tomorrow's electric home. Mr. Drumm predicts this will entail four-fold increase in generating capacity requiring $150 billion of new capital with a much larger sum to industries, homes, etc.

Let us look ahead to 1979, when the electric utility industry will be 100 years old, and speculate on what may be before us in the way of improvements and new features available to the people to be served by the industry 20 years hence.

S. L. Drumm

Electricity is so commonplace and abundant that we take it for granted and tend to overlook the fact that the utilization of electricity is still a rapidly developing art. So let's take a quick look at what has taken place in the last 80 years, to show how fast and in which direction the industry has been developing.

The electric age in which we now live was very slow in dawning. Scientists had known about this now form of energy and had experimented with it for a long time before it had an appreciable impact on our daily existence. Its first major practical use was in the communications field.

Once under way, development of the electric industry was rapid. In 1879, Edison applied for his first incandescent lamp patent, and the first electric public utilities began to light a few of our cities by the use of arc lamps. Thus in this year of 1959 the electric utility industry is 80 years old.

Originally, we were an agricultural nation. Muscle power, of men and beasts, supplied the energy needs of a rural economy.

The water wheel and the steam engine were the first mechanical devices that reduced muscle power and permitted the start of industrialization, and the improvement of urban living. The introduction of electricity accelerated industrialization and, step by step, has reduced muscle power to an insignificant proportion of our total energy requirements.

Electricity has revolutionized industrial processes, and has created new fields of endeavor hitherto unknown. It has released millions of men from backbreaking toil, and has freed the housewife from many of her most burdensome tasks. It is the household and business servant of today — cheap in cost — requiring no sleep or rest periods, and always available on instant call, day and night.

*An address by Mr. Drumm before the 2nd Annual Power Progress Dinner in New York City, Feb. 5, 1959.

Only the Beginning

Through the contributions the electric industry has made to better living during the first 80 years of its existence the industry has revolutionized our very way of life in these United States. But these advances are only the beginning. The electrical era has just begun. One indication of this is the fact that expenditures for research and development by all manufactureres average 1% of their gross sales dollar while the electric industry manufacturers spend 3% for the "answers" to better living and higher productivity (the two [2] largest actually spend 6%).

In 1979, we may be having a press conference to mark the completion of a century of utility service, and we have an idea that those participating in it may have difficulty in visualizing what it was like way back in the primitive year of 1959 without the wonderful things that will come into being during the next 20 years.

May we preface our look into the future by stating three assumptions upon which our forecasts are based. They are:

(1) No catastrophic war.

(2) A continuation of the private property and free enterprise system as we now know it.

(3) No runaway inflation.

It is the earnest hope of our industry, that these assumptions are correct and that our country will continue along the road that has brought us prosperity and a standard of living that is the envy of the whole world.

Population—Housing Projections

A prime consideration in the utility industry's planning for the future is the number of people it will have to serve. In 1879 the nation had 49 million people. Today there are 177 million. The Census Bureau expects that by 1979 there will be 267 million, if the maximum fertility rates now envisioned are realized.

Now let us take a look at the number of households in this country of ours. In 1879 there were less than 10 million households and none had electricity. Today there are 51 million, and nearly all have electricity available to them. By 1979, there should be about 75 million households in these United States.

All these additional people, with their higher standard of living, will require vastly more goods and services than we currently use. So the probable size of the work force, and the productivity of its members, is of prime importance.

Here is what lies ahead as to the size of our labor force. There were 17 million in the labor force in 1879. Today the labor force has increased to about 75 million, and by 1979 it should total about 110 million, which would be about 41% of the population at that time.

The output of the labor force has, of course, also increased over the years. Part of this increased output is the result of the steady expansion in the size of the labor force; but the biggest part of the greater output has resulted from the increasingly better tools used by the workers.

One of the most important of these tools is electricity. It does physical work faster, better and more cheaply than ever before, and, through electromation, it is entering the supervisional field.

Back in 1930 the use of electricity per employed person, exclusive of agricultural workers, was a little over 3000 kilowatt-hours per year. In 1957 it was about 10,800 kilowatt-hours per year. By 1979, it is expected to reach 29,000 kwh per year. In other words, each worker will be using almost three times the electricity used today to multiply the results of his efforts.

Details Possible Changes

As electrical developments continue what changes will there be in the industrial and commercial uses of electricity? This list illustrates what these changes will be like.

Fully air-conditioned buildings will be practically universal for factories and commercial enterprises. It will be difficult, if not impossible, to get workers, or customers, otherwise. In addition, first-class climate control will improve worker efficiency and health.

Fully automatic operations will be standard and they will be directed by punched cards and tapes.

Flying vehicles will be almost 100% electronically controlled to eliminate risk of collision and pilot error.

New revolutionary industrial processes will be commonplace in many industries. For example, ultrasonic waves will debark logs, homogenize the pulp, disperse it and purify the refuse.

Widespread pipeline transportation systems will be operated and controlled by electronic computers.

Preformed structural shapes, both wood and metal, made by electric processes, will be characteristic of all types of structures.

New electric furnace applications will extend to many additional fields.

New inventions and processes will come into being. Invention and change have always been characteristic of our country, and we are sure they will continue to be in the years to come.

Here are some other examples which indicate we have hardly begun to live electrically.

On the highway of tomorrow, cars will roll along guided and controlled electronically — safe from collision and over-speeding, while the drivers play games and chat. These cars will be air-conditioned, and will contain most automatic features now available only on the most expensive cars, plus some others that do not exist today.

Electric-Driven Cars

Moreover, the motive power of many of these cars will be electricity. As you may recall, electric-driven cars were quite popular in the early days of the automobile.

Because of improvements in materials, storage batteries and manufacturing "know-how" and because of the special transportation needs they can fulfill, electric cars are now coming back. Here is an electric-driven passenger car which one manufacturer has about ready for market. Other makes are on the way. Electric utilities are ordering them. They find that their range of more than 70 miles is well above the mileage requirements for many of their needs. Batteries will be recharged, usually at night, by plugging the charger provided into a conventional house outlet. In this way utilities will supply the electricity to operate these cars.

These new electric-driven cars will be ideal for city and suburban use. They will cost less to operate than existing cars, will be simple and easy to drive, and maintenance will be negligible.

City noise will be greatly reduced, and so will the air pollution that now takes an unknown, but heavy, toll of health.

While the battery is still a limitation, further advances in the storage battery field seem certain. When they come, the range of electric autos will be increased, and may permit their use even for cross-country travel.

Another new electric development in the automotive field is called the "silent milkman." This is an electric delivery truck that reduces to a whisper the noise from a daily event that is sometimes disastrous to sleep at a critical time of day. It's an improvement which all of us can heartily endorse.

Another example of expanding use of electricity in the commercial field is in shopping centers.

Because of the choking effects of ever - increasing automobile traffic on urban and suburban areas, shopping centers are springing up everywhere, and we can expect this trend to continue. For an idea of what these centers will look like in the future, here is the Southdale Shopping Center at Edina, Minn.

Turning now to another field, hospital care and medicine will be improved by new electronic developments. Here are some of the possibilities.

New hearing devices will be developed. Electronic engineering may enable even stone-deaf people to hear by means of tiny induction coils implanted in the bone structure and attached to nerve endings that go directly to the brain.

Automation of hospital procedures will be extensive. An overhead monorail type of transportation will permit moving patients throughout the building without removing them from their beds. The nurse of the future will be stationed at a central point and will be able to observe her charges on a TV screen; study and record the condition of her patients by remote electronic control.

Climate control and color therapy will become essential elements of hospitalization.

The rooms will be equipped so that desired changes in temperature, humidity and electric ionization can be accomplished by adjusting a dial. As a result, bed covering will be minimal. Walls will be wired for color changes to effect color therapy and music will be keyed to the color changes.

Electric incinerators will find increasing application in hospitals, to dispose of the great array of "disposables"—linen, gloves, hypodermic needles and dishes.

Centralized processing of hospital food on a mass production basis together with electronic ovens near the patient will solve one of the major discomforts of a hospital stay—lukewarm or cold meals.

Improved air filtration processes and equipment providing 100% protection against radioactive particles will be in use.

As the electrical era goes on, perhaps the biggest changes will be in the home.

New Things in the Home

But we have hardly begun to live electrically. Here are some of the new things that we can expect to find in the homes of 1979.

Climate control will be universal in all new houses, and widespread in the older ones. It will be hard to sell a house that does not have it.

Push button operation of windows and doors will be found in many new homes.

Luminescent lighting from walls and ceilings will be common.

New cleaning machines will wash, rinse and dry a kitchen floor in minutes.

New automatic laundry equipment will pick up, sort, clean, iron and fold the wash.

Dusting by electrostatic wand will be a welcome improvement for the housewife.

Electronic cooking will be widespread with complete meals taking only five minutes or less from freezer to table by the push of a button.

Greatly improved television equipment will give better reception and greater conveniences, including shopping by TV.

With respect to climate control, here is a new type of structure

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which has just been built to house the swimming pool at the Shelburne Hotel in Atlantic City. It is a huge bubble-like enclosure made of plastic—shaped and supported entirely by air pressure created by fans. It is located right next to the ice skating rink and is heated so that the bathers will have summer conditions while winter storms blow without.

In 1979 you will see many such bubbles; they are entirely practical for home use.

This is real climate control, and the people of tomorrow's America will enjoy it.

What does this all add up to with respect to the use of electricity in the home?

In 1879 the average residential use of electricity was zero. No household had central-station electric service. In 1939, 20 years ago, the average use was 897 kwh. Today it is about 3,600 kwh. In 1979, 20 years from now, it is expected that the average use will be 10,000 kwh. It could be considerably more than that, as the average for some companies is crowding that figure today. Many customers will use from 30,000 to 40,000 kilowatt-hours a year.

Seventy-five million households each using 10,000 kwh a year amounts to 750 billion kilowatt-hours. This is considerably more than today's entire output by the electric utility industry for all purposes.

What will this increased use of electricity in homes, farms, stores, and industries mean to the utility industry?

Four Times More Generating Capacity

Because of the increased population and the increased per capita use of electricity, the utility industry by 1979 will have to produce something over 2¾ trillion kilowatt-hours and have about 600 million kilowatts of generating capacity. This capacity is about four times the generating capacity in service today and will require tremendous amounts of new capital.

New capital will also be required to continue improvement in the facilities to deliver the electricity from the generating stations to the customer, improvements which will include the raising of transmission and utilization voltages, and the providing of new and improved facilities of all types.

The amount of new capital that will be required by the industry by 1979 will be well over 150 billion of today's dollars. It could well be more.

Large as this figure sounds, a much larger sum will be required to equip factories, industries, commercial establishments and homes to use these great amounts of electric energy. This will greatly stimulate business throughout the entire electric industry as well as associated businesses and industries and the nation itself. Better living and greater comfort for all the people of the United States will be the end result.

As the electrical era progresses, the future of all of us becomes brighter. The electric utility industry is proud of the services it has rendered to its customers and to the nation in the past, and is proud of the trust and confidence placed in it. We hope and believe that the American people will place similar trust and confidence in the privately-owned business-managed electric utility industry for their electrical future.

Miss Edna Moser

Miss Edna Moser passed away Jan. 30. Miss Moser, before her retirement last April, had been for 25 years a partner in the investment firm of Candee, Moser & Co.

Public Utility Securities

By OWEN ELY

Arizona Public Service Co.

Arizona Public Service serves ten of Arizona's 14 counties and covers about 40,000 square miles, reaching about 60% of the state's population. Natural gas is supplied in central and southern parts of the state, steam heat in Flagstaff and bus service in the Bisbee-Warren-Lowell area.

Arizona is one of the fastest growing states and the population gained 56% during 1950-58. A further gain of 70% by 1972 is indicated by projections of the Bureau of Census. The company itself has enjoyed phenomenal growth, with revenues quadrupling from $14 million in 1948 (pro forma to reflect a merger) to $56 million currently. Share earnings of $1.88 for 1958 compare with $1.01 in 1951; and the present dividend rate of $1.20 with 65c in 1948. In the postwar period load growth has averaged over 14% per annum.

More important activities in the service area include mining, cattle, farming, tourist trade and diversified industry. Total income of manufacturing concerns was $475 million in 1957, over four times that of 1947. Crops and livestock were $385 million in 1957, a gain of 105%. Mining income (despite unfavorable copper conditions in 1957) almost doubled in the ten-year period, and the tourist business was three times as great.

In 1957 the state was first in rate of bank deposit growth, growth of manufacturing employment, farm income and personal income, and was a close second in population growth. The mild climate, natural resources and varied transportation facilities together with an ample water supply should encourage continuing industrial development.

The company's revenues are about three-quarters electric and one-quarter gas with a negligible amount from other services. Electric revenues are 29% residential, 34% commercial and 33% industrial. Gas sales are about two-thirds residential.

Electric generating capacity approximates 389,000 kw. from owned or leased plants with an additional 176,000 available as purchased power under contract. Two major generating units are the Phoenix plant with a capacity of 145,000 kw. and the Saguaro plant with 200,000 kw. The remaining small plants are used for peaking and standby service. Important new plants under construction should reduce the use of purchased power as well as provide for additional growth. The Ocotillo plant will have a capacity of 220,000 kw. when completed in 1960; completely outdoor installation will cut construction costs and increase efficiency. The Yucca Plant is being built jointly by the company and California Electric Power, the latter company installing the first 80,000 kw. unit this year.

Arizona Public Service also expects to build a large-scale power plant located at or near a coal mine. Natural gas is currently being used by the four major plants, but they are largely convertible to other fuels. The company's electric and gas rate schedules contain automatic fuel escalation clauses designed to recover any increased cost of gas which is obtained from El Paso Natural Gas under a contract expiring 1968.

In the 12 months ended March 31, 1958 about 42% of electric power requirements were obtained from public power agencies (hydro power) as follows: 22% from the Sault River Project Agriculture Improvement & Power District, 13% from the Arizona Power Authority, 6% from the U. S. Bureau of Reclamation (Parker Dam) and 1% from other sources.

Construction expenditures were estimated at $32 million for last year, part of a $200 million five-year spending program required to keep abreast of anticipated growth. By 1962, the company anticipates, plant should approximate $375 million and revenues about $100 million.

The company has not had to do much equity financing recently. Three offerings of common stock were made in 1952-53 but since then there has been only one offering, late in 1955 (some additional shares have been issued for conversion of preferred stock, etc.). The company has enjoyed an increasing amount of internal cash generation as the result of larger-than-average depreciation charges, tax savings from accelerated amortization and fast depreciation, etc. Last June the company sold about $12 million preferred stock, making the capital structure approximately as follows:

	Millions	%
Long-term debt	$77	47.3
Preferred stock	31	18.8
Conv. $2.40 pfd. stock	9	5.6
Common stock equity (2,939,000 shares)	46	28.3
Totals	$163	100.0

The company appears to be in sound position from a regulatory point of view, rate of return on year-end net plant having averaged below 6% for some years.

Share earnings include the following approximate amounts of tax savings resulting from the use of accelerated depreciation, which savings were allowed to "flow through" to net:

1954	$0.04
1955	0.11
1956	0.21
1957	0.29
1958 (estim.)	0.36

At the recent over-counter price around 37 the stock yields 3.3% and sells at a price-earnings ratio around 21.

Three With Wm. R. Staats

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas E. Moore, Walter E. Peter and Thomas Sidenberg have joined the staff of William R. Staats & Co., 640 South Spring Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Moore was formerly in the trading department of Cantor, Fitzgerald & Co. Mr. Peter was with Morgan & Co.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—David Aranoff has joined the staff of Walston & Co. Inc., 550 South Spring Street. He was formerly with Daniel D. Weston & Co., Inc.

Paul A. Just Joins Hugh W. Long & Co.

PALM BEACH, Fla.—Paul A. Just has joined Hugh W. Long and Company Incorporated as

Paul A. Just

regional Vice-President for the southeastern states, with headquarters at 226 Chilean Avenue. Mr. Just was formerly Executive Vice-President of Television Management Corporation.

Earl F. Berry Joins Eastman Dillon Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Earl F. Berry has become associated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. He was formerly with the trading department of the First California Company.

Peter P. McDermott To Admit J. McDonald

Peter P. McDermott & Co. on Feb. 19 will admit John Joseph McDonald, Jr., to partnership in the firm.

Sutro Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harvey Yatman has been added to the staff of Sutro & Co., Van Nuys Building.

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Volume Projections for Various Industries

An industry by industry outlook appraisal for 1959 results in an optimistic overall expectation. Department of Commerce ascribes key elements of strength to automobile production recovery, construction, and increased steel output.

The Department of Commerce announces that the annual overall survey by its Business and Defense Services Administration indicates that industry looks optimistically to 1959 operations.

The outlook for some 75 industrial segments of the economy have been appraised by 24 industry divisions of the BDSA, Administrator H. B. McCoy said. The survey is a consensus of industry and government experts in each field. It summarizes specific industry reports on both outlook for 1959 and activities in 1958.

The expectation for improvement in 1959 is based primarily on the general strength of the economy, following its recovery from the 1957-58 decline.

Key elements in the anticipated improvement are automobile production, now estimated at 5.5 million after the 1958 low, a record construction estimate of $52.3 billion, and steel output figured at between 105 and 110 million tons.

The Industry-By-Industry Outlook Follows:

Automobiles: The skies are clearing in this industry whose operating level affects so vitally many segments of the U. S. economy. Industry estimates look to produtcion of 5,500,000 passenger cars in 1959, or 30% above the 1958 output of 4,240,000, lowest in a decade. The expected increase in automobile production would be reflected in increased markets for metals, glass, rubber, and upholstery leather. The automobile industry is the largest single customer for the output of these industries.

Better public attitude toward new-car buying, engineering and styling changes, a general upswing in the economy, and more stability in the industry itself because of the new labor contracts are the principal factors responsible for the optimistic outlook.

Trucks and Truck-Trailers: Low inventories of new and used vehicles and increasing tonnage movement by the trucking industry are major factors to which the commercial motor vehicle producers look for a strong market in 1959 after a disappointing 1958. Truck production should reach 1,000,000 units, a 20% increase over 1958 and truck-trailers, 56,349 units, a 21% increase over 1958. Truck manufacturers are facing stiffer competition in the export market.

Construction: The biggest single industry in the American economy is expecting to pass the $50 billion mark for the first time in 1959, with advance estimates putting construction spending at $52.3 billion, a 7% increase over 1958. This would reflect a new high in physical volume as well as dollar volume.

Private construction — largely housing—is expected to account for $35.2 billion of the total; public construction, including the highway program, is due to reach $17.1 billion. The prospective increase in private construction is figured at 4%; in public construction, 14%. Approximately 1.2 million new non-farm dwellings, public and private, are in sight for 1959.

Construction expansion will be reflected in increased expenditures for many building materials and in other allied lines.

Manufacturers of warm air furnaces and automatic heaters are optimistic for the 1959 market because of the building outlook.

Prefabricated Homes (Wood): The manufacturers of prefabricated homes expect to continue their gains in the housing market in 1959 and reach a new peak in output and sales. Production in 1958 is estimated at 61,000 units and for 1959, 64,000, largely for single-family occupancy.

Lumber: Based on the generally favorable economic outlook, the lumber industry expects production in 1959 to increase about 3.5% over the estimated 32 billion board-feet produced in 1958. Gross sales are expected to rise 6.6% and total lumber consumption about 3.8%. The anticipated level of residential construction is the biggest single factor in the optmistic outlook.

Softwood Plywood: This industry is expected to establish its 13th consecutive production record in 1959, with output in excess of 6.5 billion square feet (⅜" basis), an increase approximating 10% over 1958. Increased promotional activity aimed at diversification in market outlets is expected to help the industry.

Hardwood Plywood: Foreign competition continues to cut into the demand for domestic hardwood plywood, and the industry expects the downward trend to continue in the new year. Shipments in 1958 were estimated at 760 million square feet, surface measure, compared to 793 million in 1957 and 891 million in 1956. Consumption—domestic shipments plus imports — which had been growing, dropped 25 million square feet in 1958 to an estimated total of 1,602 million.

Electrical Equipment: A general strengthening of the electrical equipment market after a disappointing start in 1958 promises a 10% increase in sales in 1959 for a total of $6.5 billion. The industry covers transmission and distribution equipment, motors and control apparatus, lighting equipment, and electrical construction materials.

Increased generation of electrical energy and new construction are two of the leading factors in the anticipated build-up.

Iron and Steel. Generally-improved business conditions plus inventory build-ups are expected to push 1959 ingot production to 105 or 110 million tons. This compares with 85 million tons in 1958 and the peak production figure of 117 million tons in 1955.

The projected 1959 level assumes no major strikes in steel-producing raw material or steel-consuming industries. The three-year labor contract expires July 1, however, and this could inject a new element into the picture.

As the new year begins, ingot capacity will approximate 147 million tons, an increase of 6.3 million tons over Jan. 1, 1958.

Paralleling the ingot production expansion, increased activity also is in prospect for the forging, castings, and ferroalloys industries. Steel would be helped by the anticipated pick-up in construction and in automobile manufacture.

Steel prices are expected to remain more or less stable during the first half of 1959.

Machine Tools: This industry enters 1959 with prospects for moderate improvement over the disappointing year of 1958. Recession factors disturbed the industry during the past year, with the replacement market failing to come up to expectations, export activity declining, and imports continuing to offer serious competition to the domestic market.

Cutting Type Machine Tools: This segment of the industry operated at the lowest level of the past 10 years, with 1958 shipments approximating $410 million, or about 40.3% below the $793.3 million level of 1957. Gross new orders are estimated at $310 million, or about 42.4% below the 1957 level. It is estimated that 1959 shipments will approximate $420 million.

Forming and Shaping Type Machine Tools: Shipments for 1958 are estimated at $148 million, as compared with $258 million for 1957. Gross new orders are expected to approximate $115 million, or about 18% under the 1957 level. Shipments for 1959 are estimated at $155 million.

Electronics: Spurred by military and industrial needs, total electronics output in 1959 is estimated by $7.9 billion, a new record that exceeds 1958 levels by 14%. More than half goes to the military.

Consumer demand for radio and television receivers, phonographs, and other consumer products is expected to recover from the dip registered in 1958, while the output of industrial and commercial electronics equipment will follow the trends of the expanding economy.

Electronics sales in 1958 were only slightly below 1957.

Copper: With many important copper-consuming industries predicting an improved volume of business, the increased demand for copper and its products which appeared in late 1958 is expected to carry through the coming year. Supply and demand are due to come into better balance, and greater price stability consequently is in prospect. The copper and copper-base products supply situation is rated the best in years, due to expansion of mining capacity and mill facilities. In the past year, every segment of the industry showed a decline from 1957.

Lead and Zinc: Strengthened demand for lead and zinc is the 1959 forecast. For lead, the outlook is for consumption about 5% over the 1958 estimate of a million short tons—a figure 12% below 1957. Zinc usage is expected to be 8 to 10% above estimated 1958 consumption of 865,000 short tons—a falling-off of 7.6% from 1957.

Aluminum and Magnesium: Producers anticipate aluminum shipments in 1959 will be 20% or more above 1958, because of increased usage in normal channels of consumption, plus the growing demand for the metal in new products. Primary production approximating 1.6 million tons in 1958 runs about 6% below 1957, and shipments of mill products and ingots to consuming industries lag in about the same proportion. Recently announced stabilized prices will aid the industry.

The magnesium outlook also is good, with the upward trend in shipments of magnesium ingot, castings, and wrought products continuing. The growth may approximate 20%. Aircraft and missile programs stimulate demand.

Consumer Durable Goods: This diverse group of industries generally is optimistic for 1959, after a mixed record in 1958. Competition from imports is being felt in some quarters.

Manufacturers of household appliances—such items as washing machines, freezers, and vacuum cleaners—look for a 5% pick-up from 1958, which showed an 18% declined from the 1956 peak. Despite the slowdown in 1958—8% from 1957—sales remained high in comparison with other years generally.

The furniture outlook warrants "considerable optimism," according to the industry, with the downtrend apparently stopped after bringing 1958 manufacturers' shipments to less than 10% under 1957.

Widely diversified industrial, scientific, and household use along with the high level of income is expected to raise sales of pressed and blown glass products —excluding handmade glassware —to a new record. A 5% gain over

Continued on page 37

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks staged a selling climax at the end of a four day string of declines to start off this week and then promptly snapped back to make up around half of the lost ground but the feat was mostly a technical correction and was accomplished on a steadily dwindling turnover that robbed it of much possible significance.

* * *

About the only clearcut aspect in the performance was that buying support moved in around the 575 area where it had generally been expected to be found. The whole maneuver retraced less than 4% of the bull swing which is short of what would be a normal full-scale correction and did little to dispel the great amount of caution with which the market is being viewed in Wall Street. Time will be required to establish the fact that a solid floor has been reached, or that a new base further down the ladder is needed.

Volatile Issues

The high-priced, quality items were the ones that bore the brunt of the final selling, issues of the calibre of du Pont, Minnesota Mining and American Telephone; and were the ones that were first to rally on the rebound. Lukens Steel was a standout performer, able to make good progress when the rest of the list was retreating and then soaring when the general list was rebounding. The issue has been building up a following since it broke out of its range on the upside amid glowing reports of its going on to fantastic levels.

* * *

Unlike the various market barometers, the list was still studded with issues with above-average yields that have a long way to go before they are in position to joust with their previous peaks, even including du Pont which had nudged 250 in 1955 and even 237 in 1956 and hasn't been within a score of points of even the latter figure since. Joy Mfg., a leader in the mining machinery field, similarly has been hovering some two dozen points below its 1957 high although at recent levels its yield was in the 4% bracket.

Railway Equipments Favored

The railway equipment shares were in favor in many quarters, mostly because an upturn in the fortunes of the nation's railroads should logically benefit them handsomely. Maintenance expenditures and buying of new equipment were among the first to feel the recession pinch in the railroad business. Moreover, the rail equipments generally are selling even below book value which is the case in both Pullman and Alco Products, both of which offer an adequate 5% return.

* * *

ACF Industries, despite an occasional surge, has been available at a score of points under its 1957 high and a 5% yield. This company, more than the other rail equipment firms, has been pushing diversification aggressively and is now in material handling work, electronics and nuclear reactors. Earnings were sharply lower last year but a rebound this year seems to be assured. The issue was available last year at half of its book value of more than $80.

Motors Uncertain

Auto shares, except for American Motors which was given to moving widely but without too much overall progress, were still the unknown quantity and showed it by lolling around without much conviction. Some layoffs by General Motors hinted that the new models might not be getting a rousing greeting; Chrysler was still troubled for supplies of glass. Only Ford of the Big Three seemed to be perking along smoothly. Steel orders and operations were picking up nicely but, apparently, without important new demands from the auto front.

* * *

A candidate for a better dividend is Blaw-Knox, important supplier to heavy industry and the construction business. Earnings held up well last year, according to company estimates, covering the $1.40 cash payment more than twice over. The cash payment normally is larded with small stock payments. Moreover, a forthcoming acquisition of Aetna Standard Engineering will lift the company's earnings potential to some three times the cash requirement. The stock is one of those selling at a conservative price-earnings ratio. On projected earnings for this year the recent market price was only nine-times earnings.

* * *

The below-average price-earnings ratio in the rubber group is U. S. Rubber which has normally had a lower ratio than its competitors in part because of its larger outstanding issues of senior obligations. Here, too, the recent price is a dozen points under the high for 1956 with a comfortable dividend well into the 4% bracket.

Although the rail business is recovering generally, even

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the quality issues in the carrier section weren't in much favor although, as in the case of Southern Pacific, there is the added note of a $20 million windfall dividend from its holdings of St. Louis Southwestern. With the help of this, which will add about $2.20 to reported earnings, some projections are for a $9 profit for Southern Pacific. Yet the stock lately has been hovering between seven and eight-times earnings and offering a return of well past 4½% despite the fact that the windfall makes Sopac a candidate for something in the way of a stock dividend as well as a better cash payout than the indicated $3, or one-third of this year's estimated results.

Union Pacific is also among the candidates for dividend improvement since it covered its payment twice over in the recession year of 1958, turning in a profit only a few pennies under that earned the year before. Operations point to a new high in earnings for this year, even without its oil revenues picking up importantly. The return on UP is one of the smaller for quality rails, around 4¼%, but obviously that picture would alter swiftly with any change in the present rate.

* * *

Food stocks have been rather neglected recently although some of the spotlight was turned in their direction when Standard Brands bobbed up as a stock-of-the-month selection by one service. Standard has had a quiet but steady upturn in per share profits since 1955, first time in the decade that it failed to improve on the previous year's results. Further growth seems assured and the company has been quick to reward shareholders when business is good, increasing its dividend twice last year. Despite this largesse, its recent yield of nearly 4% is still an above-average one for a quality item.

* * *

Fansteel Metallurgical, which could benefit importantly from the recent success in casting molybdenum, a hitherto balky metal, has shown the least response to the development. Throughout all of last year and this the issue has held in a range of around 14 points and hasn't made any serious attempt to reach its 1957 high. The company is a low-yielding item but its growth has been impressive, with profit ahead more than 400% in a decade. It has been busy expanding its facilities and is a large supplier to the electronics industry where the romance of the field has spurred wide, even illogical market movements.

[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.]

Chase Manhattan Group Offers Bonds of State of Washington

The Chase Manhattan Bank heads an underwriting syndicate which on Feb. 10 was awarded an issue of $25,000,000 State of Washington, General Obligation Institution Building Bonds, due Feb. 1, 1960 to 1979, inclusive. The group submitted a bid of 100.049999 for a combination of 4s, 3s, and 3.20s, representing a net interest cost of 3.17472% to the state.

Public reoffering of the bonds is being made at prices to yield from 1.80% to 3.25%, according to maturity.

Participating in the offering are: J. P. Morgan & Co., Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Smith, Barney & Co.; The Northern Trust Co.; Harris Trust and Savings Bank; Seattle-First National Bank; Carl M. Loeb, Rhoades & Co.; Wertheim & Co.; Ladenburg, Thalmann & Co.

A. C. Allyn and Company Inc.; Alex. Brown & Sons; F. S. Moseley & Co.; Schoellkopf, Hutton & Pomeroy, Inc.; B. J. Van Ingen & Co., Inc.; Bache & Co.; City National Bank & Trust Co., Kansas City, Mo.; Clark, Dodge & Co.; Francis I. duPont & Co.; Fidelity Union Trust Company, Newark; Fitzpatrick, Sullivan & Co.

Ira Haupt & Co.; Hirsch & Co.; J. A. Hogle & Co.; W. E. Hutton & Co.; Laurence M. Marks & Co.; W. H. Morton & Co., Inc.; R. H. Moulton & Co.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co.; Swiss American Corporation.

Spencer Trask & Co.; Trust Company of Georgia; Bramhall & Stein; Harkness & Hill Inc.; The Illinois Co. Inc.; Northwestern National Bank of Minneapolis; Ryan, Sutherland & Co.; Stern Brothers & Co.; Tripp & Co., Inc.; Wood, Gundy & Co., Inc.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Thomas L. Curran and Robert K. Schuster are now with Merrill Lynch, Pierce, Fenner & Smith, Incorporated, 216 Superior Avenue, Northeast.

St. Louis Municipal Dealers Annual Party

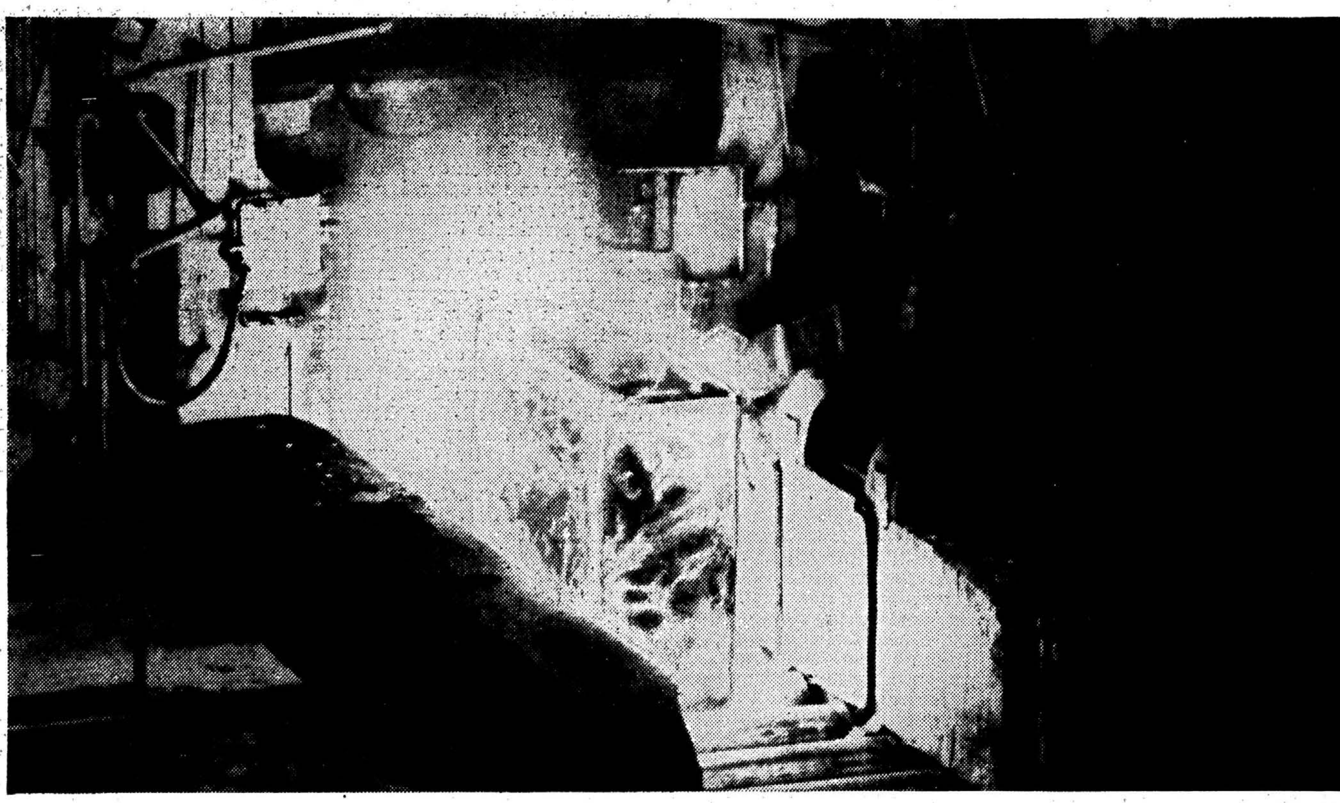
ST. LOUIS, Mo.—The St. Louis Municipal Dealers Group will hold their annual spring party April 29-May 1. The field day itself will be at the Sunset Country Club, May 1. A preceding opening will be held in the St. Louis Room April 29.

Floyd Beatty, A. G. Edwards & Sons, is General Chairman of the party.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Ronald V. Howard has joined the staff of Bache & Co., 30 East Broad St.



How many new cars in this 25 ton ingot?

Completed last year as a part of Republic's expansion and modernization program at the Cleveland Plant, this giant 45-inch universal slabbing mill can roll steel ingots (like the one shown above) up to 25 tons . . . enough steel to make thirteen automobiles or 270 file cabinets. The new mill permits Republic to roll ingots faster, more efficiently than ever before.

The biggest single steel expansion in Ohio history included the addition of two new 375-ton open hearth furnaces and the enlargement of four other open hearths, sixteen new soaking pits, expansion at the 98-inch hot strip mill and the addition of new coke ovens.

The additional 918,000 tons of annual steelmaking capacity added in the last three years at the Cleveland Plant is sufficient to make more than seven million new refrigerators.

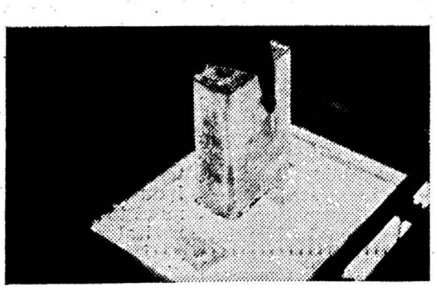
The increased capacity of the Cleveland Plant, together with the expansion of other strategically located facilities in Chicago, Illinois; Warren, Ohio; and Gadsden, Alabama, will provide better customer service and still greater production efficiency for the years ahead.

REPUBLIC STEEL

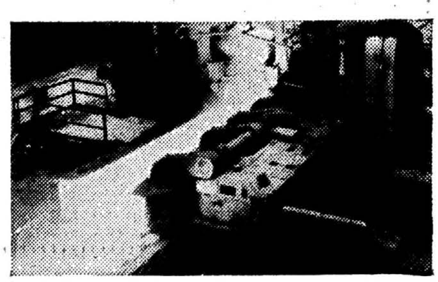
General Offices: Cleveland 1, Ohio

Alloy, Carbon, Stainless Steels • Titanium • Bars • Plates • Sheets • Strip • Tin Plate • Terne Plate • Cold Finished Steels • Steel and Plastic Pipe • Tubing • Bolts • Nuts • Rivets • Wire • Farm Fence • Nails • Pig Iron • Iron Powder • Coal Chemicals • Fabricated Steel Products • Steel Building Products • Steel and Aluminum Windows • Steel Kitchens • Shipping Containers • Materials Handling Equipment • Drainage Products.

The largest single project in Republic's Expansion program at the Cleveland Plant is the 45-inch universal slabbing mill which can produce slabs up to 75 inches wide.



One of the 16 new soaking pits which heat steel ingots to 2400° for rolling in the slabbing mills. Lifted from the pits by overhead cranes, they are carried to the slabbing mill on an ingot buggy.



Heated steel ingots are shown entering the mill from the background. After reduction to slabs they are carried on the conveyor table through two separate operations, cooled and shipped to the strip mill.

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Future of the Bank of England

By PAUL EINZIG

Commentator from Great Britain anticipates a Radcliffe Committee's recommendation that Bank of England's part-time directors be dropped, even though they were cleared of all charges of dereliction of duty. Dr. Einzig maintains that use of full time directors without any outside interests will isolate the Bank from the realities of economic life and make it impossible to forestall trouble in firms that are important to the economy. He hopes the present government will not mistakenly try to be more Socialistic than the Labor Government in urging the former not to try to steal Labor thunder by eliminating part-time directors.

LONDON, Eng.—When the Governor of the Bank of England, Mr. Cobbold, was recently reappointed, he made it plain that he may not wish to serve the entire term of five years. This was interpreted as foreshadowing the possibility of his resignation in the case of the advent of a Socialist Government. In view of the attitude of the Labor Party towards the Bank of England on the occasion of the inquiry over an alleged Bank Rate leak in 1957, it would indeed be difficult to visualize friendly collaboration between Mr. Cobbold and Mr. Harold Wilson, who will be Chancellor of the Exchequer in the next Labor Government.

Dr. Paul Einzig

For this reason alone, Mr. Cobbold may have considered it advisable to reserve the right to resign before his new term of office expires. There is, however, another reason. It is the anticipation of certain recommendations by the Radcliffe Committee, whose report on the currency system is now expected to be issued towards the middle of this year. Even though the Committee has not completed its deliberations, and its proceedings are a closely-guarded secret, several witnesses who gave evidence before it came away with the distinct impression that some key members of the Committee are strongly critical of the Bank of England and are in favor of recommending some drastic changes. This at any rate was indicated by the way these members of the Committee questioned the witnesses concerned.

Even though the members who disapprove of the Bank of England may constitute a minority, they include some highly dynamic personalities. As it usually happens on such Committees that their conclusions are influenced by a small number of dynamic members, it seems reasonable to expect that the report will contain recommendations that will displease the Bank of England. In particular, it is expected that the Radcliffe Committee will suggest the termination of the existing system under which the majority of the directors of the Bank of England are part-time directors whose main interest lies outside the Bank.

Until the late 'twenties all directors were merchant-bankers, but during the last 30 years or so a number of senior officials of the Bank were made full-time directors, and part-time directors now include representatives of other economic interest in addition to merchant banks. Even so, the merchant banking element continues to be represented to an extent that, as critics argue, is entirely out of proportion to the relative importance of merchant banks in the national economy. The Committee is not likely to confine itself, however, to recommending an increase in the proportion of industrialists and other non-bankers on the board of the Bank. It is credited with the intention of strongly advocating the abolition of the system of part-time directors altogether.

Part-Time Directors Were Fully Cleared

Such a recommendation would be fully in accordance with the wishes of the Labor Party. The Bank Rate leak affair was worked up mainly with the object of discrediting the system of part-time directors by conveying a suspicion that such directors are in the habit of making use of inside information for their personal gain. A thorough investigation of all transactions that preceded the Bank Rate change of September 1957 was carried out by a court of inquiry presided over by a senior judge (the present Lord Chief Justice) and its findings completely cleared the part-time directors of all such charges.

Even so, Socialists remained convinced that it is wrong to retain part-time directors. Whether or not the Radcliffe Committee will recommend the abolition of the system, it is safe to assume that the next Labor Government will take an early opportunity to lay down the rule that henceforth all directors of the Bank of England must be full-time directors with no outside interests. For there is a strong feeling among leading Socialists that so long as the present system continues the Bank of England is not really nationalized but is still under control of private interests.

In reality, all major decisions of policy are taken by the Government. Even though the Governor and other high officials are able at times to influence those decisions by their advice to the Chancellor of the Exchequer, their position in this respect does not differ from that of senior Government officials who have direct access to their Minister. Evidence given during the Bank Rate inquiry showed that the Governor is in the habit of consulting the part-time directors as well as the full-time directors about Bank Rate changes under consideration. But the decision whether to recommend a change to the Chancellor of the Exchequer rests with him, and in any case the Chancellor is at liberty to disregard his advice. The same is true about other important policy decisions. It seems, therefore, that the Socialists grossly exaggerate the alleged influence of part-time directors on the montary policy of the country.

These directors are of course in a position to influence the Governor and, through him, the Chancellor, by providing information about developments that are liable to influence policy decisions. Under the existing system a constant stream of information concerning the position in banking, industry, commerce, etc., reaches the Bank enabling the Governor to judge the situation and prospects correctly.

Should the part-time directors be removed, the Bank of England would find itself largely isolated from the realities of economic life. No matter how able the full-time directors are, their lack of direct contact with practical business outside the windowless walls of the Bank of England is bound to place them at a disadvantage. Even if some of the full-time directors were chosen among former bankers and businessmen, the practical experience they had gained before their appointment would be a wasting asset—they would gradually lose touch with the ever-changing situation.

Another Advantage

Nor is this all. Under the present system of Bank of England acts as a high-class clearing house for top-level business appointments. Whenever some important firm is in difficulties the Bank of England advises it and suggests the reinforcement of its board of directors. By such means it was possible during the postwar period to rescue many important firms, before the public even realized that there was trouble. The informal contact between the part-time directors and the Governor on the one hand, and between the Governor and the Chancellor on the other, is a great advantage, and it would be a great pity to terminate it.

Needless to say, the Radcliffe Committee is only too familiar with this line of argument. But some of its members at any rate are inclined to take a political view and to recommend the change because they feel that it is bound to be carried out in any case by the next Labor Government. It is to be hoped, however, that the Conservative Government would not implement any recommendation to that effect. For it is a mistake for a Conservative Government to try to be more Socialistic than a Labor Government. In doing so it would only force the next Labor Government to go even further in its measures against the present organization of the Bank of England than it would really wish to go. By doing away with part-time directors a Labor Government would satisfy many of its Left-wing supporters. But if this change is made by a Conservative Government then the Labor Government will have to do something more drastic to show its Left-wing supporters that it is more radical than its predecessor.

It is inconceivable that a Labor Chancellor of the Exchequer if forestalled in respect to the removal of part-time directors might place the hidden reserves of the Bank of England under Treasury control. When the Bank was nationalized in 1945 Socialists with inside knowledge were very pleased with the compulsory acquisition of the privately-owned stock at a price which did not even pay for the hidden reserves. But those reserves have been left in the possession of the Bank, so that if a private bank gets into difficulties the Governor is in a position to assist it without any publicity. He may consult the Chancellor of the Exchequer informally, but the transaction can be effected without any public discussion. On the other hand, if a Labor Government should assume control of the Bank's hidden reserves, any assistance would have to go through Parliament, and the inevitable publicity attached to it might do incalculable harm.

It would be, therefore, a grave mistake for a Conservative Government to steal the thunder of the next Labor Government by doing away with part-time directors. In doing so it would only induce the next Labor Government to do something much more radical and even more harmful.

With Ross, Borton

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Byron E. Kennel is now affiliated with Ross, Borton & Co., Inc., The 1010 Euclid Building.

Signing Documents on $40,000,000 Borrowing by Kingdom of Denmark

Count K. G. Knuth-Winterfeldt, Ambassador of the Kingdom of Denmark to the United States, is shown (seated, center) signing documents in New York City relating to the borrowing by Denmark of the equivalent of $40,000,000. The borrowings were effected through a public offering of $20,000,000 Kingdom of Denmark bonds by a New York underwriting group of investment banking firms headed by Kuhn, Loeb & Co.; Smith, Barney & Co.; Harriman Ripley & Co., Incorporated and Lazard Freres & Co., and through a $20,000,000 loan from the World Bank.

Participating in the signing ceremonies are, (seated, left), Bjorn Olsen, of the Danish Ministry of Finance, and (seated, right), Davidson Sommers, Vice-President of the World Bank. Standing, left to right, are John M. Schiff, Senior Partner of Kuhn, Loeb & Co.; Stuart F. Silloway, President of Harriman Ripley & Co., Incorporated; Charles J. Stewart, Partner of Lazard Freres & Co.; and Nelson Schaenen, Partner of Smith, Barney & Co.

National City Bank Reflects On Gold Price Rise Argument

New York bank concludes that raising the price of gold whenever gold reserves feel cramped reduces the gold price to "an index of the willingness of governments to inflate." Further, the bank notes the favorable coincidence between the long gold price stability from 1700 to 1931 and dynamic population and economic growth changes wherein there was no shortage in total money supply

This month's issue of the First National City Bank of New York's "Bank Letter" examines British economist Roy Harrod's prescription of $100 for an ounce of gold.

The "Letter" notes that "more talk of the need for an increase in the price of gold has been heard in London perhaps than anywhere else in the world, though the subject is also of major interest in South Africa, the leading gold producer. Ideas vary on how high the gold price should be raised; the most extravagant figure mentioned is the $100 an ounce proposal put forth by Professor Roy Harrod of Oxford.

"Curiously, all the discussion has ignored the longest range extant record of the price of gold, a chart of the London gold price reaching back 700 years to about the year 1250. The chart is found in the 1951 Annual Report of the Bank for International Settlements.

"The chart is worth some study. Most striking perhaps is the remarkably consistent upward trend in the price of gold from the Middle Ages up to the time of the founding of the Bank of England in 1694. The rate of rise works out to 0.38% a year compounded annually. Projecting this age-old trend produces for 1958 a price for gold in London of 250 shillings per ounce. It is an amazing fact that this is today—and has been since 1949—the ruling price in London. It is equivalent to the U. S. price of $35 an ounce after converting shillings at the official rate of 14 cents apiece.

"Thus, the current gold price, according to the trend of long history, would seem to be just 'right.' Raising it to 714 shillings an ounce, the sterling equivalent of Mr. Harrod's proposal of $100 an ounce, would be premature. Calculated from the trend, this would not be the right price for another 278 years."

Notes Favorable Coincidence

"Of special interest is the long period of stability in the London gold price, from around 1700 to 1931. Apart from upsurges during and after the Napoleonic Wars and the First World War when the British Government let the pound depreciate in terms of gold, gold remained steady at about 78 shillings an ounce. Coincidentally, this is also the period in which the Bank of England attained world-wide renown as banker to the world while Britannia ruled the seas.

"These 200 years of stability are especially impressive since they span a period in which population growth, world-wide economic development and industrialization, and expanding international commerce were producing a rapid increase in demands for money, far in excess of the expansion in the supply of gold. One might have thought that this would have increased the price of gold. What helped hold the gold price stable was the widening use of supplements to gold as money, in the form of paper currency and bank deposits. The supplements themselves were kept valuable by limiting their issue and making them convertible on demand into gold.

"Thus, essentially, it was old fashioned — Victorian — morality and caution which defied the trend for over 200 years and kept the gold price stable. People be-

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lieved that in all but the most extraordinary circumstances payment on demand in gold was necessary as a point of national honor. They were willing to limit liabilities undertaken accordingly, and accept occasional painful periods of retrenchment and business failures whenever overambitious commitments reached an unsustainable level.

"Today, deflations are considered to be intolerable. All over the world governments have accepted responsibility for maintaining high levels of employment and production. This makes it all the more necessary to take timely action to check inflation before it gets rolling too fast."

Index of Inflation

"Determination to resist inflation can make deflations unnecessary. But if currencies are devalued whenever gold reserves feel cramped, the price of gold will simply become an index of the willingness of governments to inflate. And inflation, equally with deflation, brings social inequities and stresses and strains, upsets political stability, and undermines the functioning of markets for money and credit which are essential to orderly production and trade.

"No responsible government should want to raise the price of gold to heights which would create a monetary base for accelerating inflation and a flight from its currency."

W. M. Lendman Joins Granbery, Marache Co.

William M. Lendman has become associated with Granbery, Marache & Co., 67 Wall Street, New York City, members of the New York Stock Exchange, as Manager of the Sales Department.

Bankers Underwrite Conn. Lt. & Pow. Offer

The Connecticut Light & Power Co. is offering to holders of its common stock the right to subscribe for 762,565 additional shares of common stock at a subscription price of $22.50 per share on the basis of one new share for each unit of 10 shares or less held on Feb. 5, 1959. The company is also offering to employees of the company and its subsidiaries the privilege of subscribing for the new shares of common stock not subscribed for through the exercise of stockholders rights, at the subscription price of $22.50 per share. The subscription offer to stockholders will expire on Feb. 24, 1959, and the subscription offer to employees on Feb. 19, 1959.

The offering is being underwritten by a group of investment banking firms of which Morgan Stanley & Co., New York; Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., New York and Boston, are managers.

Net proceeds from the financing, together with funds from internal sources, will be used by the Company to repay outstanding bank loans, to finance in part the Company's 1959 construction program and for other corporate purposes. It is estimated that the construction program will require expenditures of about $39,000,000 in 1959.

The Connecticut Light & Power Co., the largest electric and gas utility in Connecticut, is engaged principally in the production, purchase, transmission, distribution and sale of electricity for residential, commercial, industrial and municipal purposes within the State of Connecticut. Territory served by the Company with electricity, gas, or both, covers about 3,286 square miles, or 67% of the area of the state. The area served has a population of about 957,300, according to the 1957 estimate of the Connecticut State Department of Health, which is 41% of the state's population. About 86% of the Company's operating revenue for 1958 came from electric service, and the balance from gas service.

For the year 1958 the Company had total operating revenues of $77,954,000 and net income of $12,709,000, equal to $1.41 a common share after dividends on preferred stock. For the year 1957 the Company reported total operating revenues of $74,900,000 and net income of $11,258,000, or $1.21 a common share after dividends on preferred stock.

We, too, pioneer in the Modern Age

Our era moves toward new worlds...and in the spirit of our times John Hancock takes its modern place. With the help of today's almost unbelievable electronic machines we deliver ever-faster service to millions of our policy owners.

Nearly 2,000,000 policy records are maintained on magnetic tape. Our giant computers create and print some 400,000 premium notices every month. Our payroll for 6,000 Home Office employees is automatically prepared—in two hours weekly! Modern electronic equipment contributes to our major actuarial operations, to dividend and annuity computation, and to group insurance accounting.

We believe that John Hancock's alertness in adopting ever-newer ways of serving our policy owners has been a vital part in the great growth demonstrated in the 1958 Annual Statement excerpts below:

How we paid benefits

In 1958, John Hancock paid total benefits of $418,000,000, an average of $1,674,000 *every working day,* and $34,000,000 more than in 1957.

Payments flowed into every state and territory of the United States and into various Canadian provinces.

$673,437,000 paid to or set aside for policy owners or beneficiaries in 1958—an increase of 3.0%.

How we safeguard the future

Assets: $5,518,219,000. (Obligations, $5,006,953,000; general contingency reserve and special contingency reserves, $511,266,000.)

American industry and communities strengthened by John Hancock investments —an average of $1,950,000 invested *every working day.*

Over $22 billion of John Hancock insurance in force at the end of 1958—an increase of 7.9%.

John Hancock

MUTUAL LIFE INSURANCE COMPANY

BOSTON, MASSACHUSETTS

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The Agricultural Outlook

By O. V. WELLS*
Administrator, Agricultural Marketing Service
U. S. Department of Agriculture, Washington, D. C.

Agricultural marketing official lists 1959 outlook commodity by commodity and surmises cash receipts from farm marketings as a whole should hold well in 1959 compared to 1958. And, despite certain income decreases, farmers' total realized net income should fare as well this year as in the year past. Mr. Wells reports estimated increase in Jan. 1, 1959, agricultural assets of $13.3 billion as against $2.4 billion increase in liabilities. He reviews some basic underlying problems; notes continuing rise in per-acre farmland values; believes farm surpluses will remain for some time; and calls attention to the fact that rising population will require balanced rate of farm production growth.

The opening paragraphs of our "Demand and Price Situation" released by the Agricultural Marketing Service, U. S. Department of Agriculture, last Nov. 12, 1958, summarize the agricultural outlook for 1959 as follows:

Oris V. Wells

"Prices received by farmers, which this year are averaging at their best level in five years, may show some decline in 1959, mainly because of lower prices for hogs. Although an increasing flow of products from farms will probably maintain total cash receipts from farm marketings, the elimination of acreage reserve program payments after 1958 and prospects for a further slight rise in production expenses could well bring a reduction of some 5 to 10% in realized net farm income, depending largely on the level of crop production next year. This year net income is running some 20% above 1957, and the highest in 5 years. As the economy continues to recover from the recent recession, the income which farm people get from nonfarm sources should increase. Off-farm income now provides about one-third of farm people's total net income.

"Underlying the agricultural outlook for 1959 are the prospects for: Increased consumer income and a stronger domestic demand for food and most other farm products; slightly reduced foreign takings of U. S. farm products in the current fiscal year compared with 1957-58, with exports again aided by extensive government programs; and continued heavy supplies of farm products generally, with wheat and feed grain supplies especially burdensome."

I shall organize my remarks around these summary statements and the "Commodity Highlights" which are included in the same report. These are as follows:

Prices of cattle will hold up well in 1959. Prices of hogs will decline considerably during the year and be much lower next fall than now. Prices of sheep and lambs will probably remain fairly stable.

Consumption of milk products in commercial outlets in 1959 probably will be more nearly in balance with milk production than in any of the past six years. A slight increase in milk output and in consumption are both probable next year.

Supplies of poultry meat will be larger and broiler prices lower in the first few months of 1959 than in the same months of 1958. Also, egg supplies will be larger until late summer, and prices are likely to be lower.

Supplies of all oilseeds and peanuts are abundant, and farm prices will likely average near support in the 1958-59 marketing year but less than a year earlier.

The total feed supply is 10% larger than in 1957-58. Feed grain prices are expected to average a little lower in 1958-59 than in 1957-58, reflecting both the larger production and slightly lower government price supports.

The carryover of wheat at the end of this marketing year next July may be over 400-million bushels higher than in July, 1958 and the largest in history. A further increase may occur in 1959-60. The supply of rye totals 47.2-million bushels compared with 36.4-million a year ago. Rice stocks are likely to be reduced during the current year. In 1957-58 the price received for rice averaged 34 cents above the support rate of $4.72 per cwt. This year it is again expected to be well above the support rate announced at $4.48.

Production of citrus fruits in 1959-60 will probably be up from this year; deciduous fruit production will be about the same, assuming average weather.

Supplies of canned vegetables available up to mid-1959 will be a little larger than last season and materially larger than the 1949-56 average. Heavy supplies of potatoes will be available at least into spring, and prices to farmers are expected to continue well below those of a year earlier.

The supply of cotton in 1958-59 is expected to total close to 20½ million bales. With exports of around 4 million bales and domestic mill consumption of around 8 million bales, the carryover into 1959-60 is likely to be a little below the 8.7 million bales carried over into the current marketing year.

Mill use of apparel wool, after declining since mid-1956 turned upward in early 1958, and with a further expansion of economic activity in prospect, consumption in 1959 will likely be up from 1958.

Cigarette output is likely to continue its upward trend as a result of an increase in population of smoking age and additional smokers among women. The utilization of tobacco, which turned upwards in 1957-58, is likely to increase further in 1958-59.

With economic activity rising, a stronger demand for pulpwood, veneer logs, and sawlogs is in prospect for 1959.

The downtrend in naval stores supplies is expected to continue in 1958-59. With production down a little more than domestic disappearance and exports, prices are likely to average higher in 1958-59 than last year.

Cash Receipts Outlook

In summary, cash receipts from farm marketings should be well maintained in 1959 as compared with 1958. Somewhat lower receipts for hogs and wheat are likely to be offset by larger receipts from other commodities. However, Soil Bank payments to farmers will be substantially reduced with elimination of the Acreage Reserve Program, which this year accounted for $700-million cash payments. Some part of this reduction will be offset by expansion of the Conservation Reserve Program. Further, increasing interest, tax, wage, and other costs will likely bring some increase in farm production expenses next year. Thus, some reduction in aggregate or total realized net income to farm operators from farming appears to be in prospect, although indications now are that many farmers will fare about as well in 1959 as has been the case in 1958.

Agricultural Balance Sheet

Perhaps I should also add a word about the estimated Balance Sheet of Agriculture for Jan. 1, 1959, as compared with Jan. 1, 1958.

The estimated value of all agricultural assets, including the farmers' financial assets, will run about $200-billion Jan. 1, 1959, as compared to $186.7 billion a year earlier. Liabilities against these assets are estimated at $22.6 billion for Jan. 1, 1959, as against $20.2 billion a year earlier. The estimated increase in assets is about equally divided between the value of farm land and estimated increase due to larger livestock and crop inventories, while the increase in liabilities is about equally divided between increase in nonrecourse Commodity Credit loans and increase in conventional commercial credit or farm mortgage debt.

Basic Problems

The main burden of this discussion has been the current agricultural situation and outlook for 1959. Meanwhile, there are some basic underlying problems which we also need to keep in mind, problems which have much to do with the current agricultural situation and which are likely to also continue with us for some time ahead. These are:

(1) The problems of the "inflationary creep."

(2) The problems associated with the new "economies of scale."

(3) The problem of "surplus" farm supplies.

The continuing increases in the nation's general cost structure have had more effect on farmers' costs over the last few years than on prices of products sold by farmers. Farmers must not only pay higher per-unit cost rates, but current technical advances are also such that farmers must increasingly use purchased rather than farm-produced resources. Further, the cost of handling, processing, and selling food and textile items is also climbing, which of course means increased consumer costs and sales resistance. All of this adds to the farm "cost-price squeeze."

Meanwhile, we are all acquainted with the speed-up in agricultural technology that has occurred in recent years. Significant economies in per-unit costs of production are possible not only in commercial farming but also in the assembling, processing, and selling industries handling farm products. In many cases, however, the new technology offers opportunity to cut costs only as size or scale of operations expands. Increasing the size or scale of operations not only has to do with the size of the farm, of the processing unit, or the retail market, but also leads into such fields as contract farming, agribusiness integration, and business mergers. In short, American agriculture and our whole food handling and marketing system is in the process of adjusting to a wholly new technology which places an increased premium on quality of product; size of operation; and, perhaps most important of all management skill.

One interesting factor in the farm situation is that per-acre farmland values continue to rise. I believe that one of the chief reasons for this over the last two or three years has to do with technical change and the individual farmer's desire to reduce costs by increasing the scale of operations—that is, an able farmer often finds himself with the machinery and management skills to handle an increased acreage or size of business as illustrated by the fact that about 40% of the farmland transfers last year were for purposes of farm enlargement.

Farm surpluses are likely to continue with us for some time. However, we recognize that this is a difficult continuing problem for which there is apparently no immediate single painless, costless, final solution. This is a sound frame of mind for considering what should be done. Perhaps I should also call attention to the fact that there is a tendency now to look not only at possible ways of controlling acreages or production, an approach that is not only difficult but sometimes has disastrous side effects, but also to look at possible ways and means of constructively using the surpluses themselves. Such uses certainly contribute far more to maintaining farm markets and increasing nonfarm income than would be the case were the commodities not produced.

Balanced Rates of Growth

Finally, I want to once again call attention to the fact that we do live in an expanding economy and that our farm problem is essentially one of balancing rates of growth—that is, of trying to see that the rates of increase in farm output are about in line with the rates of increase in demand. In addition to taking into account shortrun problems, we must also have policies which will assure adequate food for the American people as our population grows, recognizing that the rate of population growth may vary materially from time to time. I recognize that the introduction of these longer-run considerations further complicates the farm adjustment problem. But I assure you that our shorter-run problems are much more amenable to sensible management in an expanding economy, where the population and per capita standard of living are both increasing, than they would be were this not the case. Economic growth greatly facilitates the adjustment process: it means not only better markets for most products but also new employment opportunities for both capital and labor.

*An address by Mr. Wells before the 7th National Agricultural Credit Conference sponsored by American Bankers Association's Agricultural Commission, Omaha, Neb.

T. F. Bullen Jr. Now With Gruntal & Co.

Gruntal & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announced that Theodore F. Bullen is now associated with the firm as manager of the Investment Research Department. Mr. Bullen was formerly manager of the research department for Amott, Baker & Co. Incorporated and prior thereto he was with Goldman, Sachs & Co.

Named Director

Duncan Miller, of New York City, has been elected a Director of Electronic Communications, Inc., it was officially announced today. Mr. Miller is a Vice-President of the investment banking firm of Laird & Company, Corporation, of Wilmington, Del., and New York.

Wm. Chappell Aids Drive for Library

William B. Chappell will help The New York Public Library in its 1959 appeal for funds, it has been announced by Morris Hadley, Chairman of the drive.

W. B. Chappell

Mr. Chappell, who is Vice-President of First Boston Corporation, will enlist the aid of investment bankers and brokers in raising $500,000 for the Central Reference Library at Fifth Ave. and 42nd Street. He is one of a group of leaders of business and industry working to help the privately supported library balance its budget.

The goal of the current appeal represents the amount that must be added to the institution's income from endowment during the coming year if it is to meet operating expenses and maintain the high standard of service that has won it an international reputation.

Mr. Chappell pointed out that, while most New Yorkers are aware of the incalculable advantage of having access to this great research center, many do not know that it is a "public" institution only in the sense that it is freely open to the public; the sole support it receives from the city is for maintenance of the building.

The Library was created by public-spirited individuals more than a hundred years ago, and it has been continued and enabled to grow through the years by income from endowments and gifts. "It is hoped now, when rising costs are ever more rapidly gobbling up the Reference Library's available funds, that many more organizations and individuals who use and depend on its resources will come forward to help," said Mr. Chappell.

Wainwright & Ramsey Consultants on Huge Municipal Bond Issue

Wainwright & Ramsey Inc., 70 Pine Street, New York, consultants on municipal finance, have been retained as consultants to the Public Utility District #2 of Grant County, Washington, relative to the $200,000,000 financing for the construction and operation of the Wanapum Dam (Wanapum Development of the Priest Rapids Hydro-Electric Project on the Columbia River in Washington), it was announced by Wm. Schempp, President of the District's Board of Commissioners.

Construction bids for the Wanapum Dam, sister to and 18 miles upstream from the Priest Rapids Dam, will be let early in the summer and financing through a revenue bond issue will follow late in the summer or early in the fall this year.

The Board of Commissioners of PUD #2 Grant County, Washington, is comprised of Mr. Schempp, President; Paul Neihart, Secretary, and Geo. Schuster, Commissioner.

With Lee Higginson

Lee Higginson Corporation, 20 Broad Street, New York City, members of the New York Stock Exchange, have announced that Barry E. Thors has become associated with the firm as a registered representative in the New York office.

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Substantiating Upturn Evidence Reported by Purchasing Experts

Purchasing executives latest report states there is a reasonable basis for expecting a moderate recovery from the recession. Most agents polled continue to contain or to reduce their stocks and believe that automation will definitely hold down labor costs.

The January reports of the executives of the National Association of Purchasing Agents substantiate the opinions expressed last month that there is a reasonable basis for expecting a moderate recovery from the uncomfortable recession of a year ago. Again this month, however, the consensus does not reflect any emphatic optimism in most industries. More new orders are being received by 46% of the purchasing agents who comprise the N. A. P. A. Business Survey Committee, whose Chairman is Chester F. Ogden, Vice-President, The Detroit Edison Company, Detroit, Mich., compared with 32% in December, while 39% are in an unchanged position. There is a reduction to 15% from the 21% who listed fewer new orders a month ago.

The better new-order status ties in with the production figures for the month, with 42% of the committee reporting on the up side against 35% in December. The number of those indicating less production is reduced to 13%, from 19% last month.

Commodity prices are under no great pressures, either way, with most items available in completely adequate supply. In view of plentiful goods, 76% of the committee members continue either to contain or to reduce their stocks.

The double-barrelled special question for the month was directed toward a measurement of average employment for 1959, together with what roles automation and other labor-saving devices might play toward holding labor costs down. Of those members responding, 47% think that employment will rise, 44% say no change, with 9% assuming less employment. There are 63% who believe automation will assist materially in holding down labor costs. In this area, many committee members warn, "Investigate carefully to be sure the end results will justify the costs."

Commodity Prices

In the pricing category, there seem to be no extreme pressures, either upward or downward. The survey reports this month reflect continued uncertainty and concern over the inflationary potential rather than over the imposition of any strong or general advances in the current levels. Just 28% point to increases, against 27% a month ago. There are 64% who show prices unchanged, and 8% are purchasing some items at lower prices than last month.

Inventories

"Purchased goods inventories," one of the more important of the "lagging" business change indicators, is outdoing itself in running true to form. Our survey reporters, again this month, indicate a considerable reluctance to add to their inventories. While the majority of businessmen acknowledge a reversal from the recessionary trend, only 24% of our committee members show a willingness to increase their inventories. There are 27% who report that they are still reducing stocks on hand.

Employment

Although our members report improvement in general business conditions, particularly in the steel and automotive areas, their statistics indicate no overall betterment in the employment picture. While 22% indicate a gain in their working force, identical with December, there are 14% of our reporters who show a decrease, compared with 11% showing a decrease last month. While most steel products and passenger car outputs are reported optimistically, these are counterbalanced by the seasonally poor performance in the road building and heavy construction industries.

Buying Policy

The percentages of change are so small from month to month that only by plotting the figures for the last 8 months is the very gradual lengthening of lead time in production materials and capital expenditures apparent. There has been no change in MRO supplies during this 8-month period.

	Per Cent Reporting				
	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. to 1 Yr.
January					
Production Materials	8	32	35	20	5
MRO Supplies	22	49	25	2	2
Capital Expenditures	10	8	16	25	41
December					
Production Materials	11	31	33	19	6
MRO Supplies	26	46	21	5	2
Capital Expenditure	11	6	13	23	47

Specific Commodity Changes

While prices generally are quite stable, there are a number of spotty price changes, both up and down. Some early inventorying of special steel alloys and sheets in anticipation of a steel strike this Summer is causing minor shortages of these items.

On the **up** side are: Copper, stainless steel bars, scrap, tin, zinc, rope, lumber, plywood, coal, oil, bearings and grinding wheels.

On the **down** side are: Lead, aluminum, vegetable oils, phthalic anhydride, naphthalene and phthalate esters.

In **short** supply are: Some steel alloys and sheets, helium and glass (temporarily, due to strike).

Public Inv. Co. Formed

KEW GARDENS, N. Y.—Public Investors Company has been formed with offices at 123-35 82nd Road to engage in a securities business. Partners are Bernard J. Breslaw and Bertha G. Breslaw. Both were formerly with Investors Planning Corporation and Sire Plan Portfolios.

Form S. Schramm Co.

S. Schramm & Co., Inc. has been formed with offices at 143 West 29th Street, New York City, to engage in a securities business. Officers are Sidney M. Schramm, President; Leonard R. Schramm, Secretary and Treasurer; and Sarah Schramm, Vice-President.

The Canadian Economic Outlook

By RT. HON. JOHN G. DIEFENBAKER
Prime Minister of Canada

Canada's Prime Minister summarizes "unmistakable signs" of renewal of economic growth in his country and expresses confidence that even industrial exports will pick up.

John G. Diefenbaker

Like other countries of the free world, Canada has been definitely affected by the international recession which has depressed most world trading since late 1957. We have therefore been pleased in recent months to note the unmistakable signs of renewal of economic growth.

Most spectacular has been the sharp increase in housebuilding, with starts substantially above the level in any preceding year. Consumer spending remained strong and in December, a broadening general improvement in industry was discernible. Inventory liquidation appeared to have ended, and more and more the full effect of continued market demand was calling forth new production.

Complete recovery has not yet been achieved but Canadians have good reason to look for better conditions in 1959 in keeping with improving conditions internally and general international recovery.

One important sector of our economy that remains to be revitalized is that producing industrial materials for export. However, as the economy of the free world quickens, sparked by the revival of the United States, this sector too is starting to respond to increased external demand.

New Tax Form for NASD Members

A new tax form has been prepared by the National Association of Securities Dealers, Inc. to be used by members in connection with the stock and bond transfer tax provisions of the Internal Revenue Code. Reference to the New York State tax law should be deleted by members outside the State; they may use instead the appropriate state transfer tax laws.

Toronto Bond Traders Annual Dinner

TORONTO, Canada — The Toronto Bond Traders will hold their annual dinner April 10 at the King Edward Hotel. John Lascelles, Dominion Securities Corpn. Ltd., is in charge of dinner arrangements.

Los Angeles Bond Club Elects Wm. S. Hughes

William S. Hughes

LOS ANGELES, Cal.—William S. Hughes, of Wagenseller & Durst, Inc., was elected Vice-President of the Bond Club of Los Angeles, Club President, Mark Davids, of Lester, Ryons and Company, announced following the organization meeting of Club directors. The Bond Club is an organization whose members are engaged in the investment securities business. Mr. Hughes has been active in the investment business in Southern California for the past 30 years. He served as Governor and National Vice-President of the Investment Bankers Association of America, and is also a former Chairman of District No. 2 of the National Association of Securities Dealers, embracing California, Nevada and Hawaii.

Form Harbor Securities

BAY HARBOR ISLANDS, Fla. —Harbor Securities Corporation has been formed with offices at 10043 East Broadview Drive to engage in a securities business. Officers are Lawrence Solverman, President, and Shari Silverman, Secretary-Treasurer.

National Sugar Refining Reports Higher Sales and Earnings for 1958

THE National Sugar Refining Company increased its sales, earnings and net worth in 1958, as indicated in the highlights from the Annual Report presented below. However, the special dividend was held to $.25 per share, so that a greater portion of earnings could be retained in the business to assure continuance of the modernization and debt-retirement programs.

The Company invested $1,884,780 during 1958 in plant improvement and expansion to provide better service to both industrial customers and homemakers. Capital expenditures for the plant improvement program for the past ten years now total $18,233,820, with plant property carried on the books at $27,037,298.

A copy of the Annual Report giving details of operations is available upon request.

STATISTICAL HIGHLIGHTS

	Sales	Net Earnings	Net Earnings (per share)	Dividends (per share)	Net Worth
1954	$140,714,410	$2,254,631	$3.96	$2.50	$33,114,037
1955	$144,856,086	$1,850,929	$3.25	$2.50	$33,542,928
1956	$172,071,752	$2,558,258	$3.86	$2.50	$37,306,076
1957	$187,673,950	$2,191,066	$3.30	$2.50	$37,838,097
1958	$194,381,199	$2,321,909	$3.50	$2.25	$38,666,866

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Social Responsibility Acceptance Is a Corporate Must Today

By O. KELLEY ANDERSON*
Chairman, Institute of Life Insurance
President, New England Mutual Life Insurance Company, Boston, Mass.

Corporate acceptance of "social responsibility" is said to be an important corollary to profit making and the meeting of competition. In stating that this is one of the greatest business changes in the past twenty years, the insurance head opines that the firm "which ignores this will not prosper for long and may not survive." Proud of another change, Mr. Anderson recounts the growth of the life insurance industry and its paralleled stewardship growth. Explains how such social-economic changes as women's new economic status, increased labor force and labor income, spread of fringe benefits and home ownership, has aided and been aided by insurance industry

In the life insurance business we're accustomed to dealing with long-range statistics, for, as we all know, some of the decisions our actuaries and underwriters make today may not be reflected in our company's operating results until our grandchildren come of age.

O. Kelley Anderson

Conversely, some of the factors which affect our business at present had their genesis back in the days of our grandparents. . . . Although we are now beginning to take for granted the Institute's objectives and operations, I'm sure that many of these objectives would have been considered too radical for enactment prior to 1939. The same can be said about American business as a whole, for since that time, public relations has become a new supplement to traditional operating concepts.

Firm's Social Responsibility Objective

It is now generally acknowledged in almost all areas of our economy that a company's social responsibility is an important corollary to profit making and meeting competition. The business firm or institution which ignores this will not prosper for long and may not survive.

The transition to corporate acceptance of social responsibility represents one of the greatest of the many changes that have occurred in business over the past 20 years. It has special significance for our business, for it is closely related to the Institute's program.

One of the reasons life insurance has achieved wide recognition and high standing in American industry today can be attributed to its activities in the field of public interest, activities which have been helped materially over the past 20 years by the Institute of Life Insurance. This organization has conducted an outstanding public relations program since its inception and I'm confident we can look forward to its achieving greater success, public service and goodwill in the years ahead.

A look into the future is appropriate at any twentieth anniversary occasion. But in order to forecast with any degree of accuracy, a glance back is also in order. Let's look then at the social and political aspects of the economy as well as at our business itself. In retrospect, several facts stand our clearly:

(1) This has been a period of unprecedented change affecting virtually every area of our lives—personal, business, social, economic and political.

(2) Economically, the family unit has become less self-sufficient and has tended to depend more and more on its job. At the same time, a closer relationship has developed among individuals and groups in their social and economic affairs.

(3) Provided we exercise good judgment, public relations can increase our goodwill, service, effectiveness and our ability to meet the dislocations which change usually brings.

These facts have had an important effect on every individual in every business and every institution in our country. To evaluate them correctly we should start by studying more closely the specific events that brought them into being.

In 1939 America was walking into the shadow of history's greatest war; the preparedness effort was about to turn a manpower surplus into a shortage; the birth rate was low; the income level was also relatively low; deflation was one of our major economic problems; the great depression was barely behind us; business was operating under a cloud of public misunderstanding, ill-will and government scrutiny; women were home bodies except when necessity dictated they should become a second breadwinner; atomic power was still a formula on paper; except in New York restaurants, automation had not begun; as a nation we were inclined to be isolationists.

And now where do we stand on the threshold of 1959?

Fear of another war more terrible than any ever known keeps a divided world on nervous guard; in spite of heavy defense spending at home for the first time in many years we may face a manpower surplus; the birth rate is high as is the income level; we have enjoyed the biggest business boom in history; inflation is one of our major economic concerns; although under close government scrutiny, business is generally in good repute; career women form an important segment of our economy; and with the advent of television, automation, atomic power and moon rockets, our thinking and planning is gradually becoming more global in nature than isolationist.

Lists Significant Changes

In most respects, however, these conditions are material changes from those of two decades earlier and reflect the vastly different social and economic atmosphere of the business world. Hidden in each of these observations are further, more significant facts which account in part for this upheaval.

For example, we see that:

Women have achieved full stature in business as well as at home.

Twenty million new jobs have been created, half of them for women.

Disposable personal income per family has tripled.

American families have become migratory with more than 30,000,000 persons moving each year.

Farm population has declined one-third.

The population of America's suburbs and "interurbia" has nearly doubled.

Unlike 20 years ago, the bulk of all urban worker families have fringe benefit programs, while the number of these persons covered by pension plans has grown from less than a fourth to nearly half the total.

More than six years have been added to life expectancy at birth.

The share of the total population which has reached age 65 has risen 30% while the number of senior citizens has increased 75%.

The percentage of adult high school graduates has jumped 60%.

Families owning their own homes have increased by 50%.

Although this is a brief list, it does illustrate that in 20 years we have telescoped history, for our grandfathers or fathers would have expected to live a full lifetime to see most of these things accomplished.

This list, incomplete as it is, also illustrates how life insurance ties into social and economic changes. From each of these items, we can see a direct relationship to some of the basic trends in our own business.

Life Insurance's Growth

In these 20 years, life insurance assets have increase nearly fourfold; aggregate ownership of life insurance in the U. S. nearly fivefold; and annual purchases of new life insurance six-fold. During this period the rise in assets was three times the total built up in the entire previous history of our business. These are facts of which you are all aware, but they deserve to be restated at this time.

Much of this tremendous growth stems from the social-economic changes we mentioned or contributions to them.

Take the greatly enhanced economic status of women, for example: This has resulted in a startling increase in ownership of life insurance by women from a relatively small figure to the present total of more than $65 billion, also the creation of the family income plan and the family plan policies and more recently the widening interest in premium rates which give recognition to the relatively longer life span of women.

Then consider the effect of the increased work force and enlarged income which has more than tripled the average amount of life insurance owned per family and more than tripled the average size of the ordinary policy bought.

Fringe benefit growth, developed almost entirely since World War II, now accounts for a large portion of insurance in force through group life insurance, pension plans, salary savings plans and, of course, group health insurance plans.

Group life insurance has increased 12-fold in the past 20 years, while individuals covered by insured pension plans have increased seven-fold.

The large number of persons who now own their own homes has affected life insurance agency and investment departments. Mortgage insurance to assure the family clear title to their home in event of death of the owner accounts for a sizable volume of protection. Life company investments in home mortgages have grown from less than $6 billion in 1939 to more than $37 billion.

Here we can see the two-way street on which these social and economic trends meet. Life insurance has benefited in new business and investment opportunities from these developments, while home buyers and the whole construction industry have benefited from the important contribution made by life insurance.

As a matter of fact, if we turned to the investment side of the business, we would see a long list of similar situations. As the life industry has grown to be one of the important sources of institutional capital funds, it has become an important source of financing for many of our new developments creating turnpikes, shopping centers, industrial parks, gas pipelines, giant dams, and new jet aircraft to mention only a few. Equally important, today's life insurance assets reflect the capital funds back of several million jobs which result from this industrial and civic expansion.

Singles Out Settlement Contract

The insurance contract itself reflects in part our awareness of our new social responsibilities. Settlement options, for example, now apply to a large percentage of insurance in force. Admittedly they have a certain competitive sales value, but beyond that they represent one of our important public services, since they play a vital role in financial plans for millions of families. And yet, considered purely as a sales medium, we might have chosen to abandon them long ago.

Nevertheless, these illustrations show perhaps how far we have moved up this road of social responsibility and how widespread has been our acceptance of it.

Thanks to the efforts of the Institute over the past 20 years, from top management down through the rank and file of the business and out into the field I think all of us are seeking at all times to know what the public wants from life insurance and what it thinks about life insurance.

With this growing awareness has come a sobering recognition of the responsibility and challenge brought by the new and greatly enhanced stature of our industry. The stewardship of the pooled funds of millions of families is in our hands. For large numbers of these families the life insurance protection we provide is the only link to future financial security. This responsibility does not diminish with time but increases every year and will continue to be a challenge to our public relations consciousness. Just as we have tried to give growing and improved service to our client families year after year in the past, so also I'm sure we will recognize our responsibilities in this field in the future.

Good Business Citizenship

This growth of effort in the public interest, this development of a high level of good business citizenship has come about, I believe, because our public relations efforts have been channeled on a sound, broad philosophic approach and not a haphazard, opportunistic program. The best evidence of this belief is to review the printed proceedings of our past 19 annual meetings.

I would like to give a few facts that will describe the evolution of our public relations philosophy:

(1) The usefulness of the agent.

(2) The need for disseminating facts . . . presenting news, not publicity . . . absolute intellectual integrity . . . courage and truth.

(3) The fact that bigness is a fact of life in life insurance . . . that the business can best serve the public through competition . . . that there is no vestige of monopoly in the business.

(4) The fact that the life insurance public is many publics.

(5) The need for greater cooperation with an understanding by government as one of these publics.

(6) The introduction of advertising as an instrument of public relations.

(7) The need for the Institute providing leadership to the companies.

(8) The need for making public relations a function of top management.

(9) The need for good corporate citizenship.

(10) The fact that performance is the great fundamental base of all public relations.

This should be of vital importance in shaping our efforts for the 20 years ahead, both institutionally and individually.

*An address by Mr. Anderson made before the 20th Annual Meeting of the Institute of Life Insurance, New York City.

Thomas Phelan Named By Coast Exch. Division

Resignation of W. G. Paul as President of the Los Angeles Division of the Pacific Coast Stock Exchange, effective March 1, and

W. G. Paul   Thomas P. Phelan

the election of Thomas P. Phelan, as President, has been announced by William H. Jones, Division Board Chairman, following an organization meeting of the Governing Board. Other officers elected were McClarty Harbison, Harbison & Henderson, as Vice-Chairman; A. R. Gilbert and Harry Z. Johnston, Dean Witter & Co., Assistant Vice-Presidents; P. J. Shropshire, Mitchum, Jones & Templeton, Secretary; and D. Roger Hopkins, Hopkins, Harbach & Co., Treasurer.

Mr. Paul, who will continue to serve as Administrative Consultant of the Exchange, has been President since 1946, after having served as Executive Secretary since 1934. He became a member of the Los Angeles Exchange in April, 1925, and was a specialist from 1928 until 1946 when he assumed full time administrative duties of the Exchange.

Mr. Phelan, the newly elected President, has served as Vice-President since 1947, and was made Executive Vice-President in 1951. He started his career with the Exchange in March, 1929, following graduation from UCLA when be became a clerk in the statistical department of the Los Angeles Curb Exchange. Following the merger of the Curb and Stock Exchange, he was made Manager of the Clearing House and later was in charge of listing and statistics and was Assistant Secretary from 1936 to 1940 when he became Assistant to the Vice-President of Production of Vultee Aircraft, Inc.

Form Shipper & Finney

FLORENCE, Ala.—Shipper and Finney, Inc., has been formed with offices at 212 East Alabama Street to engage in a securities business. Stanley E. Shipper is a principal of the firm.

Form Systematic Inv. Co.

Systematic Investors Company has been formed with offices at 106 Fort Washington Avenue, New York City, to engage in a securities business. Siegbert Oppenheimer is a principal of the firm.

Union Secs. Inv. Co.

MEMPHIS, Tenn.—Union Securities Investment Company is conducting a securities business from offices at 1503 Union Avenue. A. D. McClellan is a principal of the firm.

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Puerto Rican Bonds Awarded

The Commonwealth of Puerto Rico on Jan. 28 awarded $20,000,000 public improvement bonds, due 1960 through 1979, to a banking group headed by the Chase Manhattan Bank, J. P. Morgan & Co., and Ira Haupt & Co., and including Banco Credito y Ahorro Ponceno and Banco de Ponce.

Shown here, left to right: Roberto de Jesus Toro, Executive Vice-President of Banco de Ponce; Jose R. Noguera (seated), Secretary of the Treasury of Puerto Rico; Dr. Rafael Pico, President of the Government Development Bank for Puerto Rico; and E. A. Bird, Executive Vice-President of Banco Credito.

"Ike, the No. 1 Bond Salesman"—Rukeyser

President's efforts to calm down the "rock 'n rolls" enthusiasm for inflation commended by publicist. Warns against thoughtless appeasement of dictators.

The current tug of war between President Eisenhower, cast in the role of budget balancer, and the Congressional spenders will call for a re-definition of what constitutes "liberalism."

Merryle S. Rukeyser

This view was expressed by Merryle Stanley Rukeyser, economist and publicist, in a speech Jan. 30 before the Hi Hatters at the San Diego Club in San Diego, California.

"In trying to stop the erosion of the dollar through legalized larceny, sometimes called inflation, President Eisenhower may be repeating an historic service as significant as his invasion of Normandy. Ike is seeking a format for sustainable prosperity through a balanced budget and fiscal prudence. To the extent he succeeds, he will be savior of all fixed income groups, including pensioners, and those living on the proceeds of life insurance and on interest on bonds and mortgages.

A Sheer Illusion

"It is sheer illusion to regard the threat of oncoming inflation as a mere inconvenience against which you hedge by putting a larger ratio of your saved dollars into equities (stocks) instead of fixed dollar obligations (bonds, annuities and thrift accounts). I am second to none in my admiration of the shares of outstanding and well managed enterprises, but I know that the national economy will be disrupted unless there is a revival of demand for bonds. For the first time in nearly a decade, corporate bonds of the highest grade were recently yielding more than the average of 500 representative stocks.

"Without the ability to market bonds, the Federal Government, the states, the political subdivisions, including the local school districts, would indeed be in hot water. In trying to calm down the rock 'e rolls enthusiasm for inflation. Mr. Eisenhower has become the nation's number one bond salesman.

The Soviet Dilemma

Referring to the international stresses, Mr. Rukeyser, nationally syndicated financial columnist, author and business consultant, stated: "The Soviet Union's eager-beaver pressure for international conferences is motivated by a desire to escape from a basic dilemma. The inside story springs from the contradiction between the existing low civilian living standards in Russia and the new upsurge in science and technology. Up to now for 41 years the Bolshevik dictators have been deferring the promised millennium in Russia on the ground that it was necessary to concentrate first on tooling up and then on making munitions of war. The dictators are near the end of their rope on this type of argument, partly as a result of the new emphasis on education.

"The dictators find that they can't have it both ways. Dictatorship depends on having a docile population of stooges and boobs. The new emergence of educated and creative Russians is inconsistent with indefinite patience with substandard living conditions. The fancy schemes for military disengagement and disarmament are intended to correct a Russian budgetary situation unbalanced by undue use of the productivity of the Russian people in the channels of weapons of destruction.

"At best, the Bolsheviks can hope to gain time. Ultimately the new enthusiasm for education presages a domestic demand for democratic self government.

"The United States and the rest of the free world, in negotiations with the Soviet Union, should be aware of the hidden forces at work. Any thoughtless appeasement of dictators will tend to retard the constructive reform influences at work underground behind the Iron Curtain."

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

RELIANCE INSURANCE COMPANY

At the time of its organization in 1812, this company was a mutual, and it became a stock corporation in 1820, making it one of our oldest insurance writers, as Fire Association, of Philadelphia. The Reliance Insurance Company had been one of the units in the Association fleet of companies. In 1950 Reliance and two other affiliates were merged with Fire Association, the parent company; and in early 1958 Association adopted the present title. It began business with a capital of $50,000; and it was not until 1917 that the $1,000,000 mark was attained.

However, growth since then has been more rapid, and at the most recent report, for 1957, it stood at $7,616,000. There have been not only mergers, but stock dividends and issues of rights. It is licensed to do business in all states and in Canada, and its agency plant numbers some 8,250 representatives. In 1850 it became a multiple-line writer when casualty lines were added to its other categories.

Considerable expansion in the casualty end of the business occurred when it acquired control of Eureka Casualty Company and, a little later, General Casualty Company, a Wisconsin company. Eureka was merged with the parent when the name was changed. Another unit, Hoosier Casualty, was acquired in 1958. The company's risks are well distributed geographically.

A break-down of its net premium volume for 1957 follows:

	%		%
Fire	27.7	Auto Bodily Injury	13.3
Extended Coverage	8.9	Auto Property Damage	6.2
Ocean Marine	4.6	Auto Physical	14.4
Inland Marine	5.6	Other	12.2
Workmen's Compensation	7.1		

Growth in premiums in the decade ended with 1957 was 131.5%. The average combined loss and expense ratio for the same period was 99.6%.

It is expected that there have been enough important rate increases to make themselves felt from now on.

A percentage break-down of assets as of the end of 1957 follows:

	%		%
Cash	3.7	Common Stocks	36.1
U. S. Gov't Obligations	24.1	Other Investments	2.8
Other Bonds	17.7	All Other Assets	9.5
Preferred Stocks	7.3	Market Adjustment	—1.2

Reliance's underwriting results in recent years have largely followed industry trends, while investment income has been steady. In the 10 years ended Dec. 31, 1957, profits or losses on security sales, together with the appreciation or depreciation of asset values held have netted Reliance $16,083,000, or at the rate of approximately $21.12 per share now outstanding.

Reliance's capital consists of 761,600 shares of $10 par value per share. The present dividend rate is $2.20 annually; and at its present approximate selling price of 55 on the American Stock Exchange, the yield is about 4.31%, a better than average return on an insurance stock. Pricewise, it has kept pace with the main body of fire-casualty stocks, on the theory that the industry has turned for the better after the serious losses in underwriting in the past three years.

Ten-Year Statistical Record — Per Share*

	Liq. Val.†	Adj. Und.	Invest. Income	Net After Taxes	Dividend	Price Range High	Low
1948	$62.34	$4.56	$3.08	$6.52	$1.85	45⅜	34
1949	79.97	9.00	3.34	8.87	1.85	58⅜	42½
1950	88.10	2.90	4.20	6.66	2.32	62	48⅞
1951	93.60	—0.39	4.28	3.56	2.32	56¼	47⅜
1952	102.14	2.19	4.35	5.86	2.41	67⅞	49½
1953	103.56	2.46	4.77	5.72	2.68	67	55¾
1954	71.22	—1.46	2.74	1.08	1.96	‡65	38⅞
1955	77.50	—0.12	2.97	2.79	2.19	59½	¶45⅝
1956	71.69	—2.37	2.82	0.36	2.14	56⅞	40¾
1957	64.55	—3.96	2.85	—0.90	2.20	45	30½

*Adjusted for 12% dividend paid in 1956, in stock, and for 20.77% in stock in 1950.

†On 240,000 shares in 1948; 340,00 shares 1949 thru 1953; on 680,000 shares in 1954 and 1955; on 761,600 in 1956 and 1957.

‡Old capitalization.

¶New capitalization.

Balance Sheet — December 31, 1957

ASSETS		LIABILITIES	
Real Estate	$2,454,642	Capital	$7,616,000
Mortgage Loans	17,909	Surplus	27,119,397
Bonds Owned	20,300,161	Conting. Res.	1,318,825
Stocks Owned	51,799,496		$36,054,222
Cash	2,839,260	Losses	13,278,817
Agents' Balances	4,320,917	Loss Adj. Expense	1,429,037
Int. Accrued	169,761	Unearned Prem.	29,885,140
Other Assets	2,162,310	Accts. Payable	100,706
		Taxes Accrued	792,706
		Conting. Com.	225,000
		Other Liabilities	2,298,828
	$84,064,456		$84,064,456

Reliance has one of the longest records among American insurance companies. Payments have been made uninterruptedly for 100 years. Since organization the total cash has been $39,218,000; stock $3,714,000.

Halsey, Stuart Group Offers Denver & Rio Grande Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on Feb. 5 offered $2,190,000 of Denver & Rio Grande Western RR. 4% equipment trust certificates, maturing semi-annually Sept. 1, 1959 to March 1, 1974, inclusive.

The certificates are priced to yield from 3.50% to 4.25%, according to maturity.

Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue is to be secured by 109 flat cars; 115 box cars and 28 covered hopper cars, estimated to cost not less than $2,920,000.

Associates in the offering are: R. W. Pressprich & Co.; Freeman & Co.; McMaster Hutchinson & Co.; and Peters, Writer & Christensen, Inc.

O'Toole Press Officer Of Chase Manhattan

Edward T. O'Toole has been named Press Officer of The Chase Manhattan Bank, George Champion, President, has announced. He is in charge of the press section of the bank's public relations and advertising department.

Before joining the bank in 1951 he had been a staff writer for "Cosmopolitan" Magazine, reporter and feature writer for the "New Hampshire News," Manchester, N. H., correspondent for "Newsweek" Magazine, and news commentator on a New England radio network.

Robert W. Hotchkiss With Bardon Higgins

(Special to THE FINANCIAL CHRONICLE)

DULUTH, Minn.— Robert W. Hotchkiss has become associated with Bardon Higgins Company, Torrey Building. Mr. Hotchkiss was formerly Vice-President of the First and American National Bank with which he had been associated for many years.

Three With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Betty J. Barber, Theodore R. Litwiller and Leon Rochlin have been added to the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges.

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Monetary and Fiscal Controls To Meet Our Economic Goals

By YA-LUN CHOU
Associate Professor of Economics, Pace College, New York City

An industrial as well as academic economist, Dr. Chou suggests a program to overcome inadequacies said to exist in our monetary and fiscal practices which stresses an innovation in our personal income tax system. To our existing general monetary policy, the economist would add a battery of policies comprising permanent easy credit and selective credit controls. Regarding fiscal policy, he lays great stress on his proposal of flexible personal income system utilizing a "range-rate" instead of a "single-rate" system of taxes and a "Personal Income Tax Board for Stabilization." Depicts investment as the basic cure for inflation, gives monetary policy the job of facilitating capital formation, and calls for cooperation of labor and management.

The American private enterprise system is capable of doing many wonders; but it also has a serious inherent weakness. That is, its progress is characterized by an erratic course of economic activity. Furthermore, it is generally agreed that periodic inflations and depressions cannot be avoided without government intervention in the economy. It is perhaps in recognition of this that political leaders of both parties have accepted the thesis that a condition of continuous high level of employment at stable prices is a Federal responsibility.


Dr. Ya-lun Chou

President, Truman, in the introduction to his first *Economic Report*, submitted under the terms of the Employment Act of 1946, announced that the "job at hand is to see to it that America is not ravaged by recurring depressions and long periods of unemployment, but that instead we build an economy so fruitful, so dynamic, so progressive that each citizen can count upon opportunity and security for himself and his family." From his various pronouncements since 1952, President Eisenhower seems to be in agreement with the purpose of using all "practical means" to promote economic stability. For instance, in 1954 he said: "I give you this assurance: every legitimate means available to the Federal Government that can be used to sustain prosperity will be used."

However, despite these repeated assurances of promoting economic stability through government action, the American economy has been far from being stable. Since WWII, the general price level has increased by more than 50% and there have been already three recessions, the last of which was just over and which lasted more than 10 months and had more than five million unemployed. This unsatisfactory record indicates that the instruments available for the implementation of stabilization policy have failed to be effective.

What are the stabilization measures? How do they work? Why have they not been effective? How can a more effective stabilization policy be devised. These are the questions which this paper attempts to answer.

Current Stabilization Measures

Stabilization measures available can be classified into two kinds; namely, automatic stabilizers and discretionary policy. Automatic stabilizers are those economic institutions which have already been built into the economic structure since the Great Depression, such as the progressive and pay-as-you-go personal income taxes, unemployment insurance, farm price supports and so forth. These built-in stabilizers automatically tend to check economic activity when inflation threatens and to stimulate it when depression starts.

Discretionary policy centers around monetary-fiscal measures. Monetary policy is the central responsibility of the Federal Reserve System and its implementation is mainly through the devices of reserve requirement provisions, rediscount rates, and open market operations. The Federal Reserve System can also regulate purchases of securities and consumers' durables with its power of selective credit controls. Fiscal policy is the deliberate manipulation of government spending, tax collections and public debt to compensate or influence the private sector of the economy. As such, its application is a joint effort of a great number of government agencies which include the Treasury, the Bureau of Budget, the Federal Housing Administration, the Federal Security Agency, the Federal Deposit Insurance Corporation, the Federal Loan Agency, and others.

The purpose of built-in stabilizers is that they go to work automatically without factfinding and fresh policy decisions. Their effect, however, are limited to slowing down the processes of inflation and depression. They cannot themselves set a recovery or bring inflation to a complete halt. While the net contribution of automatic stabilizers to the reduction of fluctuation-swings should not be minimized and many advocate they should be strengthened and improved to do a bigger job, nevertheless, the promise of a positive stabilization policy still lies in discretionary devices. For this reason, the central attention of this paper will be directed to the discussion of discretionary policy.

Ineffectivenes of the Present Monetary Policy

The upshot of the general monetary policy is to tighten credit under inflationary pressure and to ease it in face of a downturn of prices and/or employment. Credit restraint is achieved by raising the rediscount rate so that borrowing becomes more expensive and by increasing reserve requirements and sales of government securities in the open market so that the availability of credit is reduced. Opposite actions are taken if easy credit is the objective. There is no denying that the Federal Reserve can readily increase or decrease the costs of borrowing and make credit plentiful or scarce; whereas whether a tightening or an easing of credit can produce desired response is entirely a different question.

There is little disagreement that an easy-money policy can neither prevent a slide into a depression nor bring about an upturn if there exists no profitable investment opportunity and if people cannot or do not want to increase consumption from borrowing because of mass unemployment. The Federal Reserve can make credit more plentiful and less expensive; but it cannot make the banks grant loans or the public borrow money. An often used analogy in this connection is that "You can lead the horse to the river, but you cannot make it drink the water." The most recent illustration of this is that the Federal Reserve decreased rediscount rates twice and released more than a billion and a half dollars of excess reserve by reducing reserve requirements during the last downturn, but a great portion of this excess reserve was used to purchase government securities instead of making new loans by the commercial banks. Clearly, monetary policy is wholely a negative and completely ineffective force in preventing or revising a depression. The only contribution that can be expected from easy credit in rescuing a downswing is the provision of financial potentiality for expansion if some favorable factor comes along to induce investment or stimulate consumption.

Tight Money and Price Rise

Even the common claim that monetary policy can be more effective in checking inflation is very doubtful. Worse still, a tight-money policy, if not prudently administered, may actually set a downturn of employment and output while failing to stop further price increases. The direct effect expected from general credit restraint is the reduction in consumption and investment spending from borrowed funds. This effect, even could it be realized, would not necessarily be consistent with the twin goal of stability, high level of employment and stable prices. Since inflation is essentially a process of the flow of goods and service running behind the flow of monetary expenditures, the basic solution for it is to spend up the flow of outputs. In the long run, increase in outputs depends upon improvements in technology which raise productivity. In the short run, the only feasible way to increase outputs is to increase production of investment-goods at the expense of that of consumer-goods. If high level of employment is to be maintained and simultaneously prices are to be held in line, such a change in the composition of production can only be achieved by a reduction in consumption expenditures first. Only then can productive resources be transferred from the consumer-goods to the investment-goods industries without pushing up costs. A general tight-money policy, which attempts to restrain both investment and consumption outlays, is thus not an appropriate prescription to cure inflation.

In the last analysis, furthermore, general credit restraint is almost helpless in discouraging consumption and its power to cut investment expenditures is very much limited and this limited success may become an active factor itself in causing a downturn. The hope that a tight-money policy can reduce consumption lies in that it discourages installment purchase of durable goods and encourages individual savings. But can it do these? With high level of employment and rising money income, people are usually confident of their future and they may not be restrained from purchasing durable goods on credit just because interest charges have increased 1 to 2 or even 3%. As will be mentioned later, a more effective device to restrain consumption spending on the installment basis is not high interest rate but the requirement of larger downpayments and shorter duration of repayment. The latter is a measure of selective credit controls that can be administered by the Federal Reserve, and it does not come under its general credit policy.

Would Savings Increase?

As to the proposition that tight credit may induce individual savings because people may fear that credit may become less available for emergencies or because savings become more attractive with rising interest rates, this is in reality wishful thinking in view of present-day conditions. Poor people do not save at all in times good or bad. Savings of the well-to-do have gradually been institutionalized — in forms of life and non-life insurance, mortgages on houses, and regular purchases of mutual funds or government bonds—a temporary rise in interest rate can hardly have any decisive effects upon their long run plans for savings. As for the rich, savings often are more or less automatic with them; their saving-decisions may be quite independent of interest. It may be interesting to observe: while tight credit may not necessarily encourage people to save more during prosperity, people may actually attempt to save more because of fear for insecurity when unemployment threatens even if interest rates are low. Could the report of all-time high individual savings during 1958 be a proof of this point?

Investment Experience

To a limited extent a general credit restraint may succeed in reducing investment expenditures by dampennig optimistic expectations of profits, by decreasing capital values of existing capital assets and by increasing costs of producing new equipments. However, as it has been pointed out earlier, this is exactly the wrong thing to have for relieving inflationary pressures. If investment outlays are reduced while consumption remains high (for employment remains high), inflation would certainly be worse instead of better, since now the flow of goods will decrease. If the decline of investment is great enough to cause prices to fall, there will certainly be mass unemployment on hand as well.

Moreover, the impacts of a general tight-money policy on investment spending are far from being general across the economy. As Professor John Kenneth Galbraith reasoned in his statement submitted to the Anti-Trust and Monopoly Sub-Committee, both the effects of higher interest and lesser availability of credit are felt by that sector of the economy where prices are market-controlled, but not by the industries in which only a few firms exist and prices are administered. Big firms can continue to borrow for investment at higher interest because this increase in costs can be passed on into higher prices. Whereas, in the more competitive industries, the small firms have to accept market prices as they are, and, therefore, have to forego their investment plans when costs of borrowing become prohibitive. Also, small firms will be the first to be rationed out of the credit market when credit becomes less available because they are less "credit-worthy" compared with the big ones.

There is little wonder that monetary policy alone has never been able to arrest inflation during the whole postwar era. In addition, it may have been one of the factors occasioning business failures of small firms at times of general prosperity and high profits. There is also reason to believe that this is why quite a few recent economic studies have attributed tight-money before Oct. 1957 as one of the most important factors for the most recent recession.

Proper Role of Monetary Policy

The conclusions that general monetary policy, as it has been used up to now, may do more harm than good in combating economic fluctuations does not mean that there should be no place for it in an over-all stabilization policy. As a matter of fact, monetary measures can contribute much to promote price stability and facilitate economic growth, if properly designed and wisely used. First of all, it should be recognized that it should not be used as a weapon for stabilizing price level; instead it should be employed solely for the purpose of facilitating capital formation. To do so, the Federal Reserve must always maintain an easy-money policy—always make credit available and costs of borrowing low—so far as investment demand for loanable funds is concerned. Capital formation is not only the substance from which economic growth is created, it is also the basic solution for avoiding inflation if high level of employment is to be maintained. Such a policy will also enable small and financially weak, but potentially important firms, to develop. Tight credit as a source of business failures will be lessened. Efficient management and consumers' preference will be, as they should, the main factors for success of business firms, whether large or small.

In addition, the power for selective credit controls in the hands of the Federal Reserve can also make some positive contribution in promoting economic stability. In contrast to general monetary policy which has been previously discussed, selective credit controls regulate specific uses of borrowed funds. These controlling powers are defined by Regulations T, U, W and X. Under the first two regulations, the Board of Governors of the Federal Reserve System can set the marginal requirements. Regulation W was used in the past to control the extension of credit for the purchase of automobiles and appliances by changing minimum downpayments and maximum periods of repayment. Regulation W operated in the same fashion during the Korean War to limit the purchase of new residences on credit.

When inflation threatens, a rise in the marginal requirements—an increase in the percentage of the market value of securities which has to be financed by the buyer's own funds—would discourage the use of liquid assets for speculation and thereby make available more funds for investment in plants and equipments. A decrease in the marginal requirements in a slump encourages the extension of credit for stock speculation which, in turn, may have a favorable effect upon business expectations and investment plans. Changes in the size of downpayment and maximum period of repayment would tend to influence consumers' spending on durables appreciably even if credit is plentiful and cheap, inasmuch as a few hundred or thousand dollars more or less for downpayment and a rise or fall in tens of dollars for monthly payments weigh heavily on the minds of most buyers.

Undoubtedly, selective credit controls can be quite effective in achieving the desired results in the few specified areas. Or, at least, they would not have the adverse impacts upon investment and aggregate economic activity that general credit restrain might have. Hence, these controls should be considered as the standing powers of the Federal Reserve and be used resolutely and promptly as dictated by economic conditions even in peacetime.

Need for Other Measures

A permanent easy-money policy can facilitate economic expansion in a slump if other factors favor-

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able for investment and/or consumption emerge and it can also help capital formation in a boom without raising costs if consumption expenditures can first be reduced. It cannot, however, set a recovery or curtail consumption itself.

The effectiveness of selective credit controls in changing consumption expenditures depends upon the actual conditions in the few specific areas. Reduction in downpayments and extension of repayment periods during depression may fail completely to induce more consumption spending if at that time demand for automobiles, appliances and housing temporarily reaches saturation. Again, as inflationary pressure mainly originates from excessive demand for consumers' durables, a hardening of terms for instalment purchase may succeed in bringing inflation to a halt. If, however, inflation is due to a strong effective demand for goods and services other than durables, a forced reduction in the purchase of the latter may be totally offset by an increase in spending in the former areas.

The passive nature of a permanent easy-money policy and limited capacity of selective credit controls indicate that monetary measures alone are inadequate and other positive devices are needed for the promotion of economic stability. Specifically, there is a need for other positive measures which can effectively increase or decrease consumption expenditures without relying upon decisions of individual consumers. Such measures, as shall be seen immediately below, fall into the scope of fiscal planning of the Federal Government.

Need for Fiscal Policy

Fiscal policy is the most positive and powerful means at the disposal of the Federal Government to influence economic activity. Its central core consists of such operations as changes in Federal taxes and variations of public expenditures. When markets are strong and inflation threatens, the Federal Government can reduce its direct purchases of goods and services and levy higher taxes to reduce private spending. When business slows down and unemployment grows, the Federal Government can spend more and leave more purchasing power in the hands of consumers by lowering its taxes.

Between these two principal instruments of fiscal policy—changes in expenditures and taxes, the latter is by far much more general and influential. The extent of varying public expenditures as a deliberate counter-cyclical device is limited to expenditures for public works alone, since, in the first place, the bulk of Federal spending is for defense and international security which are determined by world conditions and can hardly be tailored to suit stabilization needs. Secondly, many types of government "transfer payments," such as farm price supports and unemployment compensations, as have been mentioned before, are built-in stabilizers and no fresh policy decisions are required to make them work.

Again, while changes in nearly every type of Federal taxes can be expected to influence total spending, the most promising and effective lies in flexible personal income taxes. For instance, frequent changes in corporate income, sales and excise taxes may create uncertainty on business climate and thus hamper business planning. Flexible personal income taxes would not have this disadvantage. In addition, personal income taxes do not in any way interfere with the free choice of consumers. This freedom of the consumers to spend their income after taxes according to their preference will be the most important guide for sound investment planning under a permanent easy-money policy.

Now, what are the possibilities of public works expenditures and flexible personal income taxes in promoting economic stability? How can their full impacts be realized?

Public Works Expenditures

The effectiveness of public works spending lies in its stimulation of construction demand. It concentrates in those industries—steel, lumber and so forth—where "leverage" effect on the rest of the economy is high and thereby it is capable of generating a revival, especially when the strain of the depression is in heavy goods production. However, if construction is still active in a general depression, increase in public works spending, at the best, can only be expected to have its secondary effects on spending and employment. Even this limited result, furthermore, is only obtained at the expense of deepening the cost-price maladjustments in the heavy goods industries where, due to imperfect competition, prices rise rapidly during periods of inflation but stay high in slumps.

Besides, to use public works expenditures as an anti-cyclical device involves many difficulties. For instance, public work programs are slow to be started and impossible to be stopped before their completion. Consequently, flexibility of timing is often difficult to maintain. Also, public investments, aimed primarily at creating work for the unemployed, are often hastily designed and thus use economic resources wastefully.

In order to have the benefits of public works expenditures and to avoid the possible drawbacks, economists in and out of government have from time to time suggested their proper uses. Some of these suggestions, with which this writer is in full agreement, are listed below:

(1) In order to provide flexibility in timing and to avoid hasty and uneconomic make-work programs, a list of useful and worthy public works, such as schools, research laboratories, highways, housing, dams, bridges, navigation and irrigation projects and so on, should be prepared in accordance with long run needs and authorized to the "blueprint" stage of planning. Then actual construction can be started on short notices.

(2) Heavy public works should be used to stabilize the construction industry alone instead of using them to relieve general unemployment. This practice may avoid raising the costs of construction in a slump when construction activity still remains high. In addition, it may also add more precise timing in execution. Heavy construction projects are often made under contracts and a fall in private construction now would certainly mean a decline in construction expenditures a few months later. Thus the government can keep construction busy all the time by placing more or less of its own contracts when private contracts decrease or increase.

(3) Light public works, those which can be handled by relatively unskilled workers and can be started on relatively short notices, can undoubtedly be helpful in fighting general unemployment and should be so used.

From these suggestions, it is clear that although the net contribution of public work spending can reduce the swings of business activity, it is not so great as is often thought; it is still a useful instrument for limited purpose. It must then be included in a total stabilization policy.

Flexible Personal Income Taxes

Among all the means available to the federal government, personal income taxes are by far the most positive and powerful in promoting economic stability. It has been pointed out earlier that expansion of investment is the basic cure for inflation, but investment can only be increased without fresh rounds of inflation in the short run if consumption expenditures are first reduced. An increase in personal income tax will certainly cut down consumption because such an action reduces personal disposable income. While profitable investment opportunities are absent, a recovery is impossible even with cheap and abundant credit; a decrease in personal income taxes will certainly change the situation. This is so because a reduction in personal income taxes, by leaving more money in the hands of the public to spend, will inevitably increase consumption expenditures which, in turn, will induce investment spending as well.

While the effectiveness of flexible personal income taxes is generally recognized, they have seldom been used up to now either to halt inflation or to combat unemployment due to two serious difficulties in their application. First, under the present circumstances, tax legislation is necessarily a very slow procedure. It normally takes the Congress several months to consider tax legislations and tax rates, once determined, are set for a year or longer. Clearly, changes in tax rates through such a slow process can hardly be expected to be in step with the fast tempo of economic changes. Next, tax legislation is often greatly influenced by political considerations. Both the Congress and the Administration may find it politically possible and profitable to decrease taxes when mass unemployment prevails, but would hesitate to increase taxes when inflation threatens for fear of political unpopularity, especially during an election year. There is little wonder that most political leaders often take the course of inaction on taxes and hope that monetary measures will be sufficient to keep cost of living in line and to prevent unemployment from becoming intolerable. Alas, the postwar experience has verified that monetary measures have failed to realize this hope.

Offers Two Tax Suggestions

But to have the full benefits of flexible taxes, the aforementioned two difficulties must be overcome. Can this be done? Yes, if the following two proposals are adopted.

(1) Instead of the present "single-rate" system of income taxes—namely, there is only one rate for each bracket of taxable income; the Congress can pass legislation establishing a "range-rate" system—namely, assigning a range of tax rates for each taxable income bracket. Moreover, since changes in income taxes are mainly for the purpose of influencing consumption, tax-rate ranges for the lower income brackets should be wider than those for the upper income brackets; for, the propensity to consume of lower income groups is usually higher.

(2) The Congress may pass a special law to create a "Personal Income Tax Board for Stabilization" on a similar pattern as that of the Board of Governors of the Federal Reserve System. This board, once established, should be an independent agency and should have complete authority, delegated to it by the Congress, to change tax rates within the ranges determined by the Congress for the purpose of stabilization.

With the preceding two arrangements, not only tax rates could then be changed quickly but decisions for changes can also be made without embarrassing political leaders. However, to these proposals there may be raised two objections which must be answered in order to clear the way for their adoption.

First, some people may object that the delegation of authority for tax-changes may be dangerous to the basic powers of the Congress. This objection is actually unfounded if it is realized that the delegation of authority suggested here is limited. The Tax Board can only change the rates within the ranges determined by the Congress. The ultimate power of taxation still remains in the Congress; since, unless the Congress passes new legislation, the rate-ranges cannot be changed. It is also interesting to note in this connection that precedent can be found for this type of delegation of authority by the Congress. The power of the Federal Reserve Board of Governors over reserve requirement provisions is clearly identical in principle as well as in practice to what has been suggested here for taxes.

The second objection to flexible taxes for promoting economic stability is that such a practice may undermine the safeguards of budget balancing. Among all the arguments for the adherence to a balanced budget, the most persuasive is that it forces the government to plan its revenues and expenditures carefully so that wasteful outlays can be avoided. But the safeguards against wasteful expenditures can be kept without insisting upon an annually balanced budget which, as generally understood by professional economist and political leaders alike, is a very dangerous de-stabilizing force. Even though the use of flexible taxes means the abandonment of the standard of balancing the budget annually, which is inconsistent with the objective of economic stabilization, it does not mean the abandonment of the principles of budget balancing all together. Under the scheme of flexible taxes, budgets can still be balanced over a period of years — deficits incurred during a depression can be compensated by surpluses accumulated during prosperity. Another current argument against flexible taxes is the fear that, in view of huge expenditures for defense, the government already finds it difficult to close its budget deficit, a tax-cut will certainly produce a bigger deficit. This fear is not only exaggerated, but also unreal. In face of increasing unemployment and falling production, a tax-cut should immediately help to increase consumption expenditures which, in turn, will increase individual income, the base of individual income taxes. Thus the total tax revenue from personal income may be larger instead of smaller, with lower tax rates in such a situation. Besides, the present structure of American economy is inflationary rather than deflationary biased owing to regular wage-increase-clauses in labor contracts, absence of purely competitive markets in many industries and huge Federal spending. In view of these two considerations, the operation of flexible taxes in promoting economic stability will not necessarily enlarge the budget deficit. On the contrary, this policy may even make it easier for the Federal Government to balance its budget in the long run, especially if defense expenditures are to be continued at the present level.

Summary and Conclusions

It has been argued in this paper that in order to make monetary and fiscal measures tend toward a more effective stabilization policy, the following four recommendations must be adopted:

(1) The main function of general monetary policy should be concentrated on facilitating capital formation. To perform this function, a selective credit program should accompany an easy-money policy.

(2) All the selective credit controls must be considered as the standing powers of the Federal Reserve System not only for national emergencies but also for economic stabilization in peacetime.

(3) Public works must be planned in view of the nation's long run needs; they should be prepared and authorized to the "blueprint" stage. Furthermore, while light public work projects may be used for the purpose of relieving general unemployment, heavy public works should be used to stabilize the construction industry alone.

(4) To enjoy the benefits of flexible personal taxes, the present "single-rate" system must be adjusted to a "range-rate" system and the authority of temporary tax changes must be delegated by the Congress to an independent "Tax Board for Economic Stabilization."

In conclusion, it may be pointed out that economic stabilization is a big and difficult problem. Monetary-fiscal measures suggested here constitute the basic core of an effective stabilization policy; if used resolutely and wisely, they can go a long way to reduce economic fluctuations toward the vanishing point. But to eliminate periodic inflations and depressions completely, these measures have to be supplemented by other actions, public as well as private. For instance, the policies of Federal Housing Administration, the Federal Loan Agency and policies of state and city governments in providing a minimum decent standard of living for the poor and on land-use controls must also be designed with economic stabilization in view or at least not to cause conflict with the actions of monetary and fiscal authorities. Again, in the private sector, both business and labor leaders can contribute much to economic stabilization if they always keep social interests in their minds when seeking their own. If unions can formulate their wage policies consistently with labor productivity, inflationary pressure will certainly tend to subside. If management, especially in those industries where prices are administered, can adopt more flexible price policies instead of reduction in employment and output as soon as effective demand weakens, the threats of unemployment and sliding business activity can certainly be relieved appreciably. With close cooperation from management and labor, as it can be seen, the burden upon monetary-fiscal measures can be lightened and their effectiveness strengthened in promoting high level of employment and stable prices. The success of stabilization policy, as that of any other public policy in a free society, depends upon the understanding and cooperation of civilian leaders just as much as upon the determination and wisdom of the government.

Northern Pacific Ry. Equipments Offered

Halsey, Stuart & Co. Inc. and associates yesterday (Feb. 11) offered an issue of $4,740,000 Northern Pacific Ry. 4⅜% equipment trust certificates, maturing annually March 12, 1960 to 1974, inclusive.

The certificates are scaled to yield from 3.85% to 4.35%, according to maturity.

Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue is to be secured by 150 refrigerator cars and 400 box cars, to cost not less than $5,-940,000.

Associates in the offering are R. W. Pressprich & Co.; Freeman & Co.; Ira Haupt & Co.; McMaster Hutchinson & Co.; Wm. E. Pollock & Co., Inc.; and Shearson, Hammill & Co.

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News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Special meetings of stockholders of **Guaranty Trust Company of New York** and **J. P. Morgan & Co. Incorporated,** to vote on merger of the two institutions, have been called for March 4, it was announced by both Banks. The Boards of Directors of the Banks, at regular meetings last week, approved a detailed plan of merger which is being mailed to stockholders with notice of the special meetings.

Approval by holders of two-thirds of the shares of each bank is required. Morgan stockholders of record at the close of business Feb. 4 and Guaranty stockholders of record at the close of business Feb. 11 will be entitled to vote on the proposal. Guaranty Trust, with 6,000,000 shares outstanding, had as of recent date 36,228 stockholders. J. P. Morgan & Co., with 350,000 shares outstanding, had 2,088 holders.

The Morgan Guaranty Board of Directors will have 24 members, according to the statements mailed by both Banks, including 12 from the present Morgan board and 12 from that of Guaranty.

The Banks' statements to stockholders point out that Morgan Guaranty will maintain as important banking offices the principal office of Guaranty at 140 Broadway and the office of Morgan at 23 Wall Street and will continue to operate the three present midtown Manhattan branches of Guaranty as well as its branches in London and Brussels. In Paris, where Morgan presently has a subsidiary **(Morgan & Cie. Incorporated)** and Guaranty a branch, the merged Bank expects to operate, it is stated, "either through the subsidiary or through a branch."

* * *

John W. McGovern was elected to the board of **Irving Trust Co., New York.**

* * *

George C. Bennett, Assistant Vice-President in **Bankers Trust Company's, New York,** Auditing Department died Feb. 3. He was 55 years old.

Mr. Bennett started his career with Bankers Trust Co. in 1926, and has spent his entire career in Bank insurance work. He was named to head the insurance group of the Banks' Auditing Department in 1935 and named an officer of the Bank in 1943. He was elected an Assistant Vice-President of the Bank in 1957.

* * *

Chemical Corn Exchange Bank, New York, has elected Cyrus N. Johns to its Rockefeller Center Office Advisory Board, it was announced by Harold H. Helm, Chairman.

* * *

Henry H. Hoyt was elected Feb. 11 to serve on the board of directors of **Empire Trust Company, New York,** it was announced by Henry C. Brunie, President.

* * *

Gary Stolzberg, Irving Herbst and Herbert D. Backer have been elected Vice-Presidents of **Commercial Bank of North America, New York.**

* * *

National Bank of Westchester, White Plains, New York increased its common capital stock from $3,578,750 to $3,721,900 by a stock dividend, effective Jan. 27. (Number of shares outstanding: 744,380 shares, par value $5.)

* * *

By a stock dividend, the **First National Bank in Highland Falls, New York** increased its common capital stock from $200,000 to $400,000, effective Jan. 26. (Number of shares outstanding: 53,333⅓ shares, par value $7.50.)

* * *

The Watertown National Bank, Watertown, New York, with common stock of $650,000; and **The Black River National Bank of Lowville, Lowville, New York,** with common stock of $100,000, merged, effective as of the close of business Jan. 23. The consolidation was effected under the charter and title of The Watertown National Bank.

* * *

The common capital stock of **The Farmers and Mechanics National Bank of Woodbury, New Jersey** was increased from $200,000 to $400,000 by a stock dividend, effective Jan. 30. (Number of shares outstanding: 20,000 shares, par value $20.)

* * *

By a stock dividend, the common capital stock of **Asbury Park National Bank and Trust Company, Asbury Park, N. J.** was increased from $550,000 to $750,000, effective Jan. 28. (Number of shares outstanding: 75,000 shares, par value $10.)

* * *

The appointment of John A. Mayer as President of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** was announced on Feb. 10 by Richard K. Mellon, Chairman of the Board. Mr. Mayer succeeds Mr. Lawrence N. Murray who is retiring as President, but continuing as a Director. Mr. Frank R. Denton will continue as Vice-Chairman of the Board and Chief Executive Officer of the bank.

Mr. Mayer joined the bank as Vice-President in 1951. In 1957 he was appointed Executive Vice-President.

Mr. Murray joined the bank as Assistant Cashier in 1925, was appointed a Vice-President in 1929, and first Vice-President in 1942. He was appointed President in 1946 at the time of the merger of Mellon National Bank with **The Union Trust Company.**

* * *

Fidelity Bank & Trust Company, Pittsburgh, Pa. announced the opening of its Augusta Branch on Feb. 13.

* * *

John A. Byerly, President of **Fidelity Trust Co., Pittsburgh, Pa.** has announced the election of Mrs. Edith M. Martin as a Vice-President of Fidelity Trust Co. in the Estate Planning Division of the Bank's Trust Department. Mrs. Martin is the first woman ever elected a Vice-President in the history of Pittsburgh banking. She is also the only woman trust officer serving in any of Pittsburgh's Banks.

Mrs. Martin served for several years as Assistant to the Vice-President in charge of trusts and later as a trust officer at **The Colonial Trust Co. of Pittsburgh, Pa.** prior to that company's merger with Fidelity. Following the merger, Mrs. Martin was named a trust officer at Fidelity and was later elected Assistant Vice-President.

* * *

Merger certificate was issued approving and making effective, as of the close of business Jan. 27, the merger of **The First National Bank of Wrightsville, Wrightsville, Pa.,** with common stock of $150,000, into **The York National Bank and Trust Co., York, Pa.** with common stock of $1,335,000. The merger was effected under the charter and title of The York National Bank and Trust Co.

* * *

By a stock dividend, the common capital stock of **The Flat Top National Bank of Bluefield, West Virginia** was increased from $250,000 to $500,000, effective Jan. 29. (Number of shares outstanding: 50,000, par value $10.)

* * *

The First National Bank of Newark, Ohio increased its common capital stock from $300,000 to $500,000 by a stock dividend, effective Jan. 27. (Number of shares outstanding: 5,000 shares, par value $100.)

* * *

The common capital stock of **Mercantile National Bank of Hammond, Indiana** was increased from $500,000 to $750,000 by a stock dividend, effective Jan. 27. (Number of shares outstanding: 30,000 shares, par value $25.)

* * *

Merchants National Bank in Chicago, Ill. increased its common capital stock from $1,000,000 to $1,250,000 by a stock dividend, effective Jan. 26. (Number of shares outstanding: 62,500 shares, par value $20.)

* * *

By a stock dividend the common capital stock of **The First National Bank of Lake Forest, Ill.** was increased from $300,000 to $600,000, effective Jan. 30. (Number of shares outstanding: 12,000 shares, par value $50.)

* * *

First National Bank of Skokie, Ill. increased its common capital stock from $350,000 to $700,000 by a stock dividend, effective Jan. 27. (Number of shares outstanding: 70,000 shares, par value $10.)

* * *

By a stock dividend, the common capital stock of **National Bank of Detroit, Mich.** was increased from $36,217,500 to $40,000,000, effective close of business Jan. 30. (Number of shares outstanding: 3,200,000 shares, par value $12.50.)

* * *

By a stock dividend, the common capital stock of **Hackley Union National Bank and Trust Co. of Muskegon, Mich.** was increased from $850,000 to $1,020,000, effective Jan. 28. (Number of shares outstanding: 102,000 shares, par value $10.)

* * *

First National Bank of Waukesha, Wis. increased its common capital stock from $1,000,000 to $1,375,000 by a stock dividend, effective Jan. 27. (Number of shares outstanding: 108,000 shares, par value $5.)

* * *

By a stock dividend, the common capital stock of **The Old National Bank of Beaver Dam, Wis.** was increased from $100,000 to $200,000, effective Jan. 26. (Number of shares outstanding: 4,000 shares, par value $50.)

* * *

The First National Bank of Neenah, Wis. increased its common capital stock from $50,000 to $100,000 by a stock dividend, effective Jan. 27. (Number of shares outstanding: 4,000 shares, par value $25.)

* * *

The Central National Bank of Junction City, Junction City, Kansas increased its common capital stock from $100,000 to $200,000 by a stock dividend, effective Jan. 26. (Number of shares outstanding: 8,000 shares, par value $20.)

* * *

By a stock dividend, the common capital stock of **The Peoples National Bank of Liberal, Kansas** was increased from $100,000 to $200,000, effective Jan. 26. (Number of shares outstanding: 2,000 shares, par value $100.)

* * *

Commerce Trust Co., Kansas City, Mo. announces the election of Eugene B. Foncannon as Assistant Vice-President. Mr. Foncannon joins the Bank as a cattle loan officer and will work closely with the Correspondent Bank Division.

* * *

By a stock dividend, the common capital stock of the **First National Bank of Pompano Beach, Fla.** was increased from $500,000 to $600,000, effective Jan. 28. (Number of shares outstanding: 60,000 shares, par value $10.)

* * *

The common capital stock of **The First National Bank of Mount Dora, Fla.** was increased from $100,000 to $200,000 by a stock dividend, effective Jan. 27. (Number of shares outstanding: 2,000 shares, par value $100.)

* * *

The First National Bank in Gadsden, Ala. increased its common capital stock from $400,000 to $500,000 by a stock dividend, effective Jan. 30. (Number of shares outstanding: 50,000 shares, par value $10.)

* * *

The Houston National Bank, Houston, Texas increased its common capital stock from $1,575,000 to $1,675,000 by a stock dividend, effective Jan. 28. (Number of shares outstanding: 167,500 shares, par value $10.)

* * *

El Paso National Bank, El Paso, Texas increased its common capital stock from $4,000,000 to $4,250,000 by a stock dividend, and from $4,250,000 to $4,500,000 by the sale of new stock, effective Jan. 26. (Number of shares outstanding: 225,000 shares, par value $20.)

* * *

By a stock dividend, the common capital stock of **The Colorado National Bank of Denver, Colo.** was increased from $3,750,000 to $4,250,000, effective Jan. 28. (Number of shares outstanding: 170,000 shares, par value $25.)

* * *

By a stock dividend, **The Greeley National Bank, Greeley, Colo.** increased its common capital stock from $500,000 to $600,000, effective Jan. 28. (Number of shares outstanding: 60,000 shares, par value $10.)

* * *

Effective Feb. 2, **Citizens National Trust & Savings Bank of Los Angeles, Calif.** will shorten its name to **Citizens National Bank.** The shareholders of the Bank recently voted in favor of the change, and final approval was given by the Comptroller of the Currency.

* * *

Merger certificates was issued approving and making effective, as of the close of business Jan. 30, the merger of **First National Bank in McFarland, McFarland, Calif.,** with common stock of $100,000, and **Tulare County National Bank of Visalia, Visalia, Calif.,** with common stock of $150,000, into **Security-First National Bank, Los Angeles, Calif.,** with common stock of $73,500,000. The merger was effected under the charter of Security-First National Bank and under the title **Security First National Bank.**

* * *

The Compton National Bank, Compton, Calif. increased its common capital stock from $225,000 to $450,000 by a stock dividend, effective Jan. 26. (Number of shares outstanding: 4,500 shares, par value $100.)

* * *

The common capital stock of **The National Bank of Commerce of Seattle, Wash.** was increased from $8,000,000 to $9,000,000 by a stock dividend, effective Jan. 28. (Number of shares outstanding: 100,000 shares, par value $90.)

* * *

The Bellingham National Bank, Bellingham, Wash. increased its common capital stock from $400,000 to $600,000 by a stock dividend, effective Jan. 27. (Number of shares outstanding: 60,000 shares, par value $10.)

* * *

Walla Walla National Bank, Walla Walla, Wash. received permission from the Office of the Comptroller of the Currency to open a new Bank. Herbert H. Freise is President, and Don E. Chamberlin is cashier. The Bank has a capital of $200,000 and a surplus of $150,000.

* * *

Jack Pembroke, C. B. E., President of the Royal Trust Company,

Jack Pembroke

Montreal, Canada, has been appointed a Director of the **Bank of Montreal, Montreal, Canada,** Gordon R. Ball, President, announced, Feb. 10.

* * *

More than 99.4% of the shareholders of the **Toronto-Dominion Bank, Toronto, Canada** took advantage of the Bank's recent offer to purchase additional stock, according to Allen T. Lambert, Vice-President and General Manager.

Of the 400,000 shares offered, said Mr. Lambert, only 2,262 remained unsubscribed for when the offer closed on Jan. 15. The shareholders were offered 1 additional share for every 5 shares held.

Bond Club of Detroit 43rd Annual Dinner

DETROIT, Mich. — The Bond Club of Detroit will hold its 43rd Annual Dinner on Tuesday, Feb. 24, 1959, at the Detroit Boat Club. It will be attended by approximately 150 leaders of the financial and banking industries in the Detroit area.

Roy L. Reierson

Wilfred J. Friday, of Friday & Company, President of the Bond Club, will preside. The principal address to the gathering will be given by Roy L. Reierson, Vice-President and a member of senior management of the Bankers Trust Company, New York, N. Y., who will discuss "The Economic and Financial Outlook."

Chicago Inv. Women to Hear Dr. B. W. Sprinkel

CHICAGO, Ill.—At the Feb. 18 dinner meeting of The Investment Women of Chicago to be held at the Chicago Bar Association, Dr. Beryl W. Sprinkel, Economist, Harris Trust & Savings Bank, will be the guest speaker.

Dr. Sprinkel, who has become known as a "fearless forecaster," will speak on the subject, "What's Ahead in Business and Investments."

William P. Letchworth

William P. Letchworth, partner in J. Barth & Co., passed away February 1.

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Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The refunding operation of the Treasury for February has been provided for, but it remains for the money market to digest the issues which came into being when the Government took care of its maturities. The 3¾% certificate was the most popular issue in the refunding venture and this was in line with the ideas of the Treasury and the financial district as a whole. The three-year 4% note, in spite of the good return that was available in this obligation, had only a modest appeal to the owners of the February maturities since the need was for a shorter-term security. The payout of $2,100,000,000 was not an unexpected development and, to meet the large cash demand, $1,500,000,000 of 217-day tax anticipation bills were offered to take care of the attrition.

The bond market is still on the uncertain side, since there is no institutional demand for the more distant Government securities. It is evident that the inflation fear continues to have an adverse effect on fixed income bearing issues.

Substantial Aid From Federal Reserve

The Federal Reserve Banks came to the aid of the banking system last week, and by so doing prevented the money market from getting too tight. The purchase of more than $160,000,000 of Treasury bills, directly by the Central Banks, also smoothed the path in some measure for the Treasury refunding operation and in this way helped the distribution of the issues that were being offered in exchange for the February maturities. This is not an unusual development since the Federal Reserve Banks have in past given help to the money market when the Treasury is in one of its operations, whether it be a refunding or a new money venture.

Nonetheless, the exchange offer of the Treasury, although giving a good return to the holders of the February maturities, came at a time when the inflation psychology was very strong and this meant that the one-year obligation was to get the bulk of the exchanges ($11,400,000,000) since there is no great desire yet to extend maturities. Only $1,400,000,000 was turned in for the three-year 4% note.

Institutions Continue Chary of Long Governments

There is a very strong demand for the short-term, most liquid Government issues because of the opinions that the best way to meet an upward trend in interest rates is by staying on the near-term end of the list. To be sure, this makes an extension of maturities by the Treasury not an easy proposition because there is only a very limited market for Government bonds.

Even if the Treasury were to increase the coupon rate to a level that might attract others than those that have an interest presently in Government bonds, it is not expected that there would be a real appreciable demand among institutional investors. This, for the reason that non-Federal securities, such as corporate bonds and tax-exempt issues, would most likely give yields that would still make them more attractive than the Government bonds for the large investor.

Better Yield on Savings Bonds Would Help

On the other hand, there are not a few money market specialists who are of the opinion that the Treasury could distribute a sizable amount of bonds to the ultimate investor, in this case individuals themselves. It is being noted that savings deposits are continuing to increase and deposits with savings and loan associations are also on the incline. As against this the sales of savings bonds by the Treasury are down and redemptions in many cases are running ahead of sales. This seems to indicate that the saving type of individual citizen is not too well satisfied with the rate of return that is available in Government savings bonds.

Accordingly, it is believed in some quarters that if the yield on Treasury savings bonds were made attractive enough, these individuals would be buyers in an important way. In this manner, the Treasury would be able to finance part of its deficit through the sale of bonds to the ultimate investor, and to that extent there would be no increase in deposits or in the money supply. The sale of securities to the ultimate investor is one of the best means by which the inflationary developments could be retarded since it would result only in a shift in deposits and not the creation of new ones as is the case when Government obligations are sold to the commercial banks.

Budget Developments Big Question Mark

It is evident from testimony that is being given at the hearings before the various committees in Washington that both the Treasury and the Federal Reserve Board are very adamant in the fight on inflation and about the balancing of the Federal budget. On the other hand, the desire to increase expenditures is still very strong and there are no signs yet that the inflationary group in Congress will give in without a fight. This uncertainty over the budget will keep the pressure on the money market, the bond market, and interest rates.

Ramsey-Hutton Formed

WASHINGTON, D. C.—Ruth E. Hutton is conducting a securities business from offices at 2712 Wisconsin Avenue, N. W. under the firm name of Ramsey-Hutton. She was formerly with Wilder-Ramsey and Renyx, Field & Co.

A. C. Allyn Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Calvin L. McIntyre has been added to the staff of A. C. Allyn & Co., 122 South La Salle Street. Mr. McIntyre was previously with Channer Securities Company.

First So. Inv. Co.

(Special to The Financial Chronicle)

STUART, Fla.—First Southern Investment and Mortgage Corporation is engaging in a securities business from offices at 611 Colorado Avenue. Officers are Claude O. Rainey, President; William L. Kistle, Vice-President; and Justine R. Smith, Secretary-Treasurer.

Two With First Southern

(Special to The Financial Chronicle)

ATLANTA, Ga.—Steven H. Fuller, Jr. and Harvey C. Neisler are now with First Southern Corporation, 70 Fairlie Street, N. W.

American Stock Exchange Elects to Governing Board

James R. Dyer, an American Stock Exchange member for 30 years, and a stock specialist on the market's trading floor, was reelected to his fourth consecutive term as Chairman of the Exchange Board of Governors at the members' annual elections held February 9, according to an announcement by Edward T. McCormick, President.

James R. Dyer

William F. Neubert

Robert N. Suydam

Edward A. Harvey

Solomon Litt

First elected to the governing board in 1946, Mr. Dyer served a one-year term as Vice Chairman in 1952. He has served on all of the market's committees.

Elected to three-year board posts for the first time were William F. Neubert, Cowen & Co.; and Robert N. Suydam, Merrill Lynch, Pierce, Fenner & Smith, Inc., as regular-member governors and Edward A. Harvey, L. A. Mathey & Co., and Solomon Litt, Asiel & Co., as non-regular member governors.

Also elected to three-year terms as regular-member governors were Charles J. Bocklet; John J. Mann ,Mann, Farrell, Jacobi & Greene and Gerald A. Sexton, Sexton & Smith; all of whom have served in the past. Elected to three-year terms as non-regular member governors were Walter T. O'Hara, Thomson & McKinnon and Adolph Woolner, Bache & Co. who also have served before.

John A. Ludlow, J. A. Ludlow & Co., was elected to a three-year term as trustee of the gratuity fund.

Reynolds Metals 2nd Pfd. Stock Offered

Public offering of 550,000 shares of Reynolds Metals Co. second preferred stock, 4½% convertible series at par ($100 per share) was made yesterday (Feb. 11) by a nationwide underwriting group headed by Dillon, Read & Co. Inc., Reynolds & Co., Inc., and Kuhn, Loeb & Co. The stock is convertible into common stock at $75 per share, subject to the company's rights of redemption.

Proceeds from the sale of the convertible second preferred stock will be used to the extent of approximately $46,900,000 to reimburse the company's treasury for, and to repay short-term bank loans incurred to meet, the cost of acquiring ordinary stock of The British Aluminium Co. Ltd. Additional stock may be acquired, and if the remaining stock is acquired at the offer price, the total cost to Reynolds Metals of its share of the stock would be approximately $50,000,000.

Reynolds Metals Co., in conjunction with Tube Investments Ltd.—a British company engaged in the production of steel tubing and various manufactured articles, is in the process of making a substantial investment in the ordinary stock of The British Aluminium Co. Ltd. The purpose of this investment is to increase the company's stake in the aluminum industry in foreign countries.

Reynolds Metals and Tube Investments have acquired in the market and through an offer by Tube Investments to holders of outstanding ordinary stock of British Aluminium, a total of approximately 8,476,840 shares of the ordinary stock of British Aluminium as of Feb. 9, 1959, being approximately 94% of the outstanding 9,000,000 shares. Reynolds Metals will be entitled to receive a 49% interest and Tube Investments a 51% interest in such stock. The cost to Reynolds Metals of its share of the stock acquired will be approximately $46,900,000.

British Aluminium is the only producer of primary aluminum in the United Kingdom. It has an interest in Canadian British Aluminium, which has recently completed an aluminum reduction plant at Baie Comeau, Canada. It also has fabricating facilities in the United Kingdom and in Scotland. It has interests in aluminum fabricators in Australia and India. British Aluminium has interests in bauxite reserves in Ghana and France and has reportedly taken a 10% interest in "Fria" which is reportedly constructing a plant for the production of alumina in French West Africa from bauxite deposits located in the area.

Reynolds Metals Co., including its wholly-owned subsidiaries, is a major producer of primary aluminum and fabricated aluminum products and is actively engaged in most phases of the aluminum industry. During 1958, it produced approximately 32% of the primary aluminum made in the United States.

In 1958, the company completed construction of additional aluminum reduction facilities at Listerhill, Ala., having an annual rated capacity of 112,500 tons of primary aluminum, which together with the facilities already located there resulted in a total annual rated capacity at Listerhill of 190,000 tons. In 1958, the company also completed additions to the Corpus Christi, Texas, alumina plant which increased its annual rated capacity by 365,000 tons. Additions to its bauxite mining and shipping facilities and increases in capacities for fabricated products were completed during the past two years.

The company is currently constructing an aluminum reduction plant of 100,000 tons annual rated capacity near Massena, N. Y., on the Saint Lawrence River, and is increasing its annual sheet and plate fabricating capacity at Sheffield, Ala., and McCook, Ill., by a total of approximately 170,000 tons.

The company estimates that this current construction program will be completed in 1959 and that the cost subsequent to Oct. 31, 1958, will be approximately $85,400,000, which will be paid for with unexpended proceeds of previous financings and other cash resources.

Upon completion of the current program, the company's aluminum reduction plants will have an aggregate rated capacity of 701,000 tons a year. It is estimated by the company that its proven bauxite reserves are sufficient to provide at least 75 years' capacity operation of its present primary aluminum plants and the new plant under construction.

Total consolidated revenues of Reynolds Metals for the 10 months ended Oct. 31, 1958, amounted to $376,151,094 as compared with $375,796,380 for the same period in 1957. Consolidated net income applicable to common stock for the 10 months ended Oct. 31, 1958, amounted to $30,470,161, or $2.72 per share as compared with $30,150,944, or $2.69 per share for the same period in 1957.

Customers' Brokers Anniversary Dinner

Frank Pace, Jr., former Secretary of the Army and now President of General Dynamics Corporation, will address a dinner meeting of the Association of Customers' Brokers on Tuesday, Feb. 17, 1959. The dinner, celebrating the 20th anniversary of the Association, will be held at the Hotel Delmonico.

Among those expected to attend are Edward C. Werle, Johnson & Wood, Chairman of the Board, New York Stock Exchange; Edward T. McCormack, President, American Stock Exchange, and James R. Dyer, Chairman of the Board, American Stock Exchange.

Barbour Inv. Co. Coast Exch. Member

LOS ANGELES, Cal.—Election of Jack M. Barbour, President of Barbour Investment Co., to membership in the Pacific Coast Stock Exchange through the purchase of a membership in the Los Angeles Division, has been announced by William H. Jones, Division Chairman.

Barbour Investment Co. was organized by Mr. Barbour, principal of the firm, to engage in a general securities business and as corporate finance consultant. Offices are located at 111 West 7th Street.

Mr. Barbour has been active in the securities business is Los Angeles since 1931. He has been a partner in member firms of the Exchange since 1935 and has previously been a member of the Exchange from 1940 to 1955.

With Keller Brothers

(Special to The Financial Chronicle)

BOSTON, Mass. — Douglas D. Porter is now with Keller Brothers Securities Co., Inc., Zero Court Street.

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Tourist Tips for Investors

By ROGER W. BABSON

Tips to tourists seeking a future place to live, employment and investment opportunities are presented by financial publisher. Mr. Babson cites some of the pitfalls pertaining to motels as investments.

Our tourist business started in a very small way some 50 or more years ago. It grew steadily but slowly, until the automobile revolutionized it. The automobile has actually done harm to the summer hotel business of the north. Because of lack of business, the great summer hotels of New England are gradually being torn down. The majority of people who travel in the north by auto during the summer stop at motels as transients. They no longer stay for a month, or for the entire summer, as they used to do.

Roger W. Babson

On the other hand, the auto has helped southern business, especially that of Florida, New Mexico, and Arizona,—and also the Pacific Coast. Moreover, many who go South as tourists remain to take up residence. This does not apply, however, to tourists who travel north in the summer.

Cost of Living

Tourists also find that the cost of living is less in the south. This fact is encouraging more people to retire on their social security money. Furthermore, in the north it is more difficult for a person to get a part-time position in order to secure the permitted extra income up to $1,200 above social security which he needs in order to live reasonably comfortably.

In several southern and southwestern states, new industrial concerns are locating which make a specialty of employing these part-time workers. The new low-priced cars which can be bought today enable families to have two small economical cars, and this is a great help to part-time workers.

How and Where to Buy?

After deciding where you would like to live—in Florida, for instance—write to the Chamber of Commerce of that city and inquire as to the opportunities for securing part-time work. Tell the Chamber your trade and your age, and add the information that you have an auto. Of course, you will not buy any property in any southern state without first seeing it.

When buying a house or lot in any tourist section, buy at the end of the tourist season. This means in September (after Labor Day) or in October in the north. Or in May or June in the south.

Motels As an Investment

Motels, as business investments, are subject to several disadvantages. For one thing, the owner must pay taxes, interest charges, insurance, and maintenance costs for 12 months each year, while his profits are usually limited to six months or less. Even so, it was possible to make ends meet when there were very few motels; but now they are so thick that the competition is terrible.

In addition to the above economic difficulty, one's investment may be wiped out by a change of routes. When one buys a motel, it may be on a heavily traveled road; but then the state, or the Federal Government, may decide to build a new toll road or freeway which will leave the motel on a deserted highway.

American Stock Exch. Makes Appointments

The American Stock Exchange Board of Governors has approved the reappointment, by Edward T. McCormick, Exchange President, of Mrs. Mary G. Roebling, Dean George Rowland Collins and William Zeckendorf, Sr., as Public Governors of the market place. Mr. McCormick stated "the principal function of our three Public Governors is to bring to the Exchange the point of view of persons not directly engaged in the securities business. Each of these representatives has, in the past, contributed much to the establishment of the basic policies of this Exchange."

Mrs. Roebling is President and Chairman of the Trenton Trust Co. Dean Collins is head of the New York University Graduate School of Business Administration. Mr. Zeckendorf, President of Webb & Knapp, Inc., and a leading figure in national hotel and real estate circles, is also President of the Board of Trustees of Long Island University.

Mr. McCormick also announced the appointment of Chairmen to head the ASE's standing committees: James R. Dyer, Board Chairman, Executive Committee; Adolph Woolner, Bache & Co., Committee on Securities; Harold A. Rousselot, Francis I. du Pont & Co., Committee on Outside Supervision; Joseph F. Reilly, Committee on Floor Transactions; John J. Mann, Committee on Finance; Gerald A. Sexton, Sexton & Smith, Committee on Admissions; Paul Porzelt, Emanuel, Deetjen & Co., Committee on Arbitration; Walter T. O'Hara, Thomson & McKinnon, Committee on Public Relations, and John Brick, Paine, Webber, Jackson & Curtis, Committee on Business Conduct.

Join Amott, Baker & Co.

Reginald G. Foster, Edward A. Nadeau and Achiel L. Van Wanseele have joined Amott, Baker & Co., Incorporated, members of the New York Stock Exchange, as registered representatives.

Mr. Foster will be associated with the firm's New York office, 150 Broadway, and will serve clients primarily residing in the New Jersey area. Mr. Foster was formerly associated with Moody's Investors Service as Assistant to the General Sales Manager. Prior to joining Moody's sales organization in 1950, Mr. Foster had been employed by several leading New York investment firms.

Mr. Nadeau and Mr. Van Wanseele will be associated with the firm's Detroit office, Penobscot Building. Both Mr. Nadeau and Mr. Van Wanseele have had extensive experience in the investment business having been associated for many years with various member firms of the New York Stock Exchange with offices in the Detroit area.

Amott, Baker & Co. has its principal office in New York City. Branch offices are maintained in Detroit, Philadelphia, Washington, D. C., and Waterbury, Conn.

Jesse M. Levy, Jr.

Jesse M. Levy, Jr., partner in Lawson, Levy, Williams & Stern, passed away Feb. 5.

Pacific Coast Exchange Names George W. Davis

George W. Davis of San Francisco, senior partner of Davis, Skaggs & Co., has been named as new Chairman of the Governing Board of the Pacific Coast Stock Exchange. He succeeds Frank E. Naley of Los Angeles, general partner of E. F. Hutton & Company.

George W. Davis

Mr. Davis is now serving his second term as Chairman of the Governing Board of the San Francisco Division of the Exchange and was Vice-Chairman of the Pacific Coast Stock Exchange Board last year. In 1955-56 Mr. Davis was President of Investment Bankers Association of America and is a former Vice-Chairman of the National Association of Security Dealers. He has been actively engaged in the securities investment business since 1921.

William H. Jones of Los Angeles, President of the William H. Jones & Co., was elected Vice-Chairman of the Pacific Coast Stock Exchange Governing Board, having previously served two three-year terms as Governor of the Los Angeles Division.

Other members of the 1959 Governing Board are Warren H. Berl of Sutro & Co.; Calvin E. Duncan of Calvin E. Duncan & Co.; McClarty Harbison of Harbison & Henderson; and P. J. Shropshire of Mitchum, Jones & Templeton.

Ex-officio Board Members will be Ronald E. Kaehler and W. G. Paul, Presidents, respectively, of the San Francisco and Los Angeles Divisions of Pacific Coast Stock Exchange. Other officers of the Exchange will be Miss Ruth Kapelsky of San Francisco, Secretary and Assistant Treasurer, and Thomas P. Phelan of Los Angeles, Treasurer and Assistant Secretary.

Belmont, Maloney & Sharp, Div. Ch'men in Red Cross Drive

August Belmont, Vice-President of Dillon, Read & Co., Inc.; Richard L. Maloney, Jr., President of the New York Savings Bank; and Dale E. Sharp, President of the Guaranty Trust Co. of New York, have accepted appointment as Division Chairmen for the New York Red Cross Chapter's 1959 Fund Campaign, it has been announced by Eugene S. Hooper, President of Manufacturers Trust Co. and Chairman of the Campaign's Finance Section.

Mr. Belmont will serve as head of the Investment Bankers division and the Non-Member Firms division.

Mr. Maloney will be Chairman of the Savings Bank division.

Mr. Sharp will lead the Banks and Trust Companies division. He named Guido F. Verbeck, Executive Vice-President of Guaranty Trust, as his deputy for the campaign.

The appeal for members and funds, which opens March 1, is part of a national drive to obtain gifts totaling $95,000,000 to meet Red Cross needs in the coming months. Support is sought to enable Red Cross to continue to aid servicemen, veterans and their families; to maintain its Blood, Health and Safety programs; and to assure relief to disaster victims in 1959.

Continued from first page

As We See It

that and the other security program—and to the need for avoiding a balanced budget.

Other Reasons Also Given

But the need for better defense is, according to these program makers, not the only reason for avoiding any attempt to balance the budget. The violent proponents of huge funds for the farmers, for large subsidies (or the equivalent) for housing, and for various other "welfare" schemes are perhaps not quite so scornful, or rather so explicit, in their denunciation of any program of living within our means, but their actions speak plainly enough. They want funds for their pet programs, and they worry not at all about where the funds are coming from—indeed many of them seem to believe that we should be better off if we did not trouble ourselves on the subject, but rather just kept right on piling Pelion on Ossa in the form of debt. To give support to all such easy reasoners is the old New Deal idea that a deficit is a good thing—and that in any event we need to get much greater growth in our economy than the current rate and the way to do it is to go further and further into debt.

How often is it said these days that we, the richest nation on earth, have been doing only such arming as we "can afford" while the Kremlin has not for a moment permitted such considerations to limit the rate at which arms are made and improved in that country! Now it probably is true that the Kremlin has decreed that a much larger proportion of current output in that country shall go into armaments than is true in this country. If so, it clearly means that the rank and file of the Russian people have been required to do without much which we have in abundance and doubtless the Russians would like to have—or else been ordered to work harder and longer than otherwise would be needful—in order that there may be more sputniks and more rockets and more bombs.

Work Harder, Produce More

Now if it is really necessary or wise for us to enlarge our defense effort substantially, the Soviet program of sacrifice and harder work is precisely the policy we should adopt — except, of course, that we would demand these sacrifices of ourselves rather than have them ordered from above. There are too many among us, however, who seem to suppose that all that is required is to appropriate and borrow more money for defense purposes while subsidies and waste proceed apace, and while workmen demand more and more pay and are willing to do less and less work. We can easily "afford" much more armament—if we really need it—and much more probing into space—if there is really anything to gain by it—but we certainly cannot at the same time afford to pay farmers billions to produce goods neither we nor any one else who can pay for them want. Neither can we afford to pour public funds into housing in amounts far in excess of what the natural forces would require or provide.

Some way must be found to re-teach the once familiar and still vitally true doctrine that it is just as fatal for a nation to live beyond its means as it is for the individual to do so. If we are in serious danger of losing our ascendancy as producers of goods and services, the trouble lies in the fact that we are wasting our substance in producing goods that have no value and in the further truth that, by and large, we are no longer willing to exert ourselves as in times past. Too many of us have been lulled into relaxation by talk of "productivity." "Productivity," as the term is now employed, means simply output per man working one hour. It says nothing about the output per man working a week or a year. Whether we as a nation are producing more or less per man-year can not be determined by any of the current figures compiled and published under the style and title of "productivity." Nor is there any hint in such statistics as to whether the right things are being produced.

Futile and Worse

Now it is, of course, futile to demand more of everything than we are producing or are willing to produce. It is, in point of fact, much worse than futile. Fed as it is certain to be by arbitrarily created bank deposits, it can only result in what is known as inflation—higher prices and wasteful investment of capital in forms and directions which will not and can not pay their way out. We already have vast inflationary funds in our economic system, thanks to war efforts and war economic errors. A relatively small rise in the rate at which bank deposits are

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utilized easily affords the funds to feed such an inflation. A large Federal deficit, no matter how originating, is but one, though a very potent, factor in producing such an awkward economic state of affairs which can not fail in the long run to weaken us.

And let us remember that, whatever the nature of the current situation, this is no "crash" state of affairs. That is to say, we shall almost certainly be confronted with an aggressive and hard-working Kremlin for a good many years to come. This will be a long race—if it is to be termed a race at all—and we need to husband our resources and expend our strength in such a way as to retain our vigor and our productiveness for a long, long time to come. It is imperative that we give much more careful and realistic thought to our situation and our future.

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Setting the Record Straight About Soviet Trade Desires

tives are not classified as strategic goods whose export from the United States to the USSR is banned. Mr. Mikoyan is a highly knowledgeable man and should know that this is far from the actual facts. In very recent months, in addition to the 900 products which require no specific licenses, the Department of Commerce has licensed for export to the Soviet bloc such varied articles as: agricultural machinery, scientific and professional instruments, galvanizing equipment, textile machinery, stainless steel pipe, winders for steel mills, electrical heating units for industry, antibiotics, polio vaccine, rubber processing chemicals, a conveying system, and steel sheet and copper.

When we hear the Soviets complaining about our export controls, we must remember that the Soviet Union, through its state trading monopoly, maintains complete control over all exports, permitting only those which are considered to suit the Soviet objective of the moment.

Soviet Default Not Cleared Up

Now, as to credits: How can we be expected to extend them to the Soviet Union while that country is in default to us on its past debts?

The Soviet Union is the only major country with which we have been unable to reach a settlement of Lend-Lease accounts. In these settlements we have asked for partial payment to cover the civilian type goods remaining in the hands of the country concerned at the end of the war. Let me repeat: I am speaking of **civilian** type goods only. In the case of the Soviet Union, these goods amounted to $2.6 billion. When we last discussed this matter with the Soviets in 1951, we offered to settle this account for $800 million payable over a long term at low interest. The Soviet Union offered $300 million. In an effort to move this matter forward and thus eliminate a major obstacle to improved economic relations, I told Mr. Mikoyan that we were prepared to renew negotiations immediately to seek a compromise solution. Mr. Mikoyan, to my great regret, showed no interest whatsoever in a resumption of these long stalled talks.

Long-term private credits to a defaulting country are prohibited by the Johnson Act, which was enacted as long ago as 1934. Short-term credits are, however, freely available to the Soviet state trading agency on normal commercial terms.

Speaking of credits, I should like to observe that we are constantly considering requests for loans to assist the newly-developing countries of the Free World which are far greater than the available funds. Therefore, the extension by the United States Government of credits to finance the growth of the industrial machine of a hostile Communist party whose leader has threatened to "bury" us, has understandably low priority.

Mr. Mikoyan also complained that we discriminate against Soviet exports as a result of Congressional action in 1951 withdrawing most-favored-nation treatment. This, he claims, has served to place higher tariff duties on Soviet exports to this country. In actual fact, only a small portion of Soviet exports, past or current, are affected. Further, when a Communist country like the USSR extends most-favored-nation treatment on customs matters, it is meaningless. For the total state trading monopoly directs its trade as it sees fit and does not rely on use of tariffs. Therefore, the grant of most-favored-nation treatment to a Communist country is a one-way affair in favor of that country and must be compensated for by other considerations.

More important, as I reminded Mr. Mikoyan, this action was taken by the United States Congress in the year following the outbreak of the Korean War. In our country, most-favored-nation treatment has more than a purely commercial significance. The American people, acting through their Congress, would find it hard to contemplate extending most-favored-nation treatment at this time to a country whose leaders relentlessly demonstrate their hostility and constantly menace our national security.

Obviously, any change in this legislation will have to await a definite improvement in the international political climate.

I should like to emphasize that these issues, together with certain minor technical impediments such as restrictions on the importation of certain furs from Russia, do not constitute serious obstacles to trade, if — as the Soviet leaders allege — they truly desire to expand commerce with the United States.

A broad range of peaceful goods is freely available through normal trade channels to the Soviet Union —just as these goods are available to our partners in the Free World.

Charges "Patent Nonsense"

Soviet leaders, including Mr. Mikoyan, have implied that the United States is blocking the expansion of peaceful trade in the "fear" that the living standards of Soviet citizens will be raised under a Socialist system. This is patent nonsense.

The American people have always sympathized with the impoverished Soviet citizen. They have expressed their warm sympathy through substantial and generous aid to the Soviet people in their dire need following two World Wars.

As a matter of national policy, the United States Government would welcome a significant improvement in Soviet living standards, in the hope that this would serve to put a damper on the aggressive and expansionist ambitions of their Communist leaders.

We offer the Soviets the opportunity to purchase unlimited quantities of food, clothing, household appliances, and other useful consumer items with which our free economy is blessed. Imports of this nature could immediately brighten the shabby existence of the average Soviet citizen and measurably improve his standard of living. I sincerely hope that the Soviet leaders will accept this offer.

In truth, the only thing the Soviet Union needs to do if it **really** wishes to expand its trade with us, is, quite simply, to begin trading. I can think of no more direct way to state the position of the United States Government.

Suggestions to Restore Confidence

I will admit that establishing firm and dependable commercial relations with private firms in the Free World does not come easily to a Communist state trading monopoly. However, if the Soviet leaders wish to create greater confidence in the American business community, there are a number of things they can do. Among them I would suggest:

First, make firm arrangements to settle outstanding Soviet debts.

Second, permit a greater degree of access by private American firms to both producing and consuming units in the Soviet Union.

Third, introduce a measure of predictability into Soviet foreign trade relations, by making public their intentions with respect to specific goods which they intend to buy and sell under their foreign trade plans.

Fourth, take measures to provide assurance to foreigners of genuine protection for private industrial property rights as well as authors' rights.

Finally, demonstrate firmer adherence to business principles— instead of turning trade off and on, as Soviet leaders so frequently do in the interest of political expediency.

Before I leave the subject of United States-Soviet trade, I should like to emphasize what should be obvious from my earlier discussion of the nature of Soviet foreign trade:

The major obstacle to an expansion of Soviet trade on a mutually beneficial and lasting basis, lies in the whole orientation of Soviet economic policy with regard to foreign trade.

Compares Exports to Denmark

It is the deliberate Soviet policy of striving for self-sufficiency and development in isolation from for the fact that, despite large percentage increases over the low levels of Stalin's time, the second largest economy in the world now exports to the Free World at only the level of a country the size of Denmark.

I have been discussing Soviet foreign economic policies as they relate to the United States and other Western industrialized nations. But there is another, even more important aspect of Soviet foreign economic policies: The Soviet Union's determined and resourceful drive to penetrate, and eventually capture, the newly-developing countries of Asia, Africa and Latin America, through trade and aid techniques.

In the last four years the Soviet Union, together with its European satellites and Communist China, has extended a net total of $2.4 billion in credits. One billion dollars worth of these credits was extended during the past year. Soviet bloc trade turnover with underdeveloped countries of the free world during 1957 was $1.7 billion — more than double the value of such trade in 1954. Preliminary data for 1958 indicate that this upward trend is continuing.

The number of well-indoctrinated and dedicated Soviet technicians operating in Asia, the Middle East and Africa, has grown to 4,000—an increase of 65% in a single year—and their numbers are growing at a far faster rate than the number of our own American technicians. Skillful commercial propaganda, highly publicized bilateral trade agreements, and the exchange of trade delegations, have all been used to drive home the Sino-Soviet economic offensive.

The predominantly political motivation of this new activity is obvious and has been freely admitted by Soviet leaders. It represents a strategic departure from the traditional Soviet pattern. They have candidly said that the export of capital equipment is not profitable to them.

In their offensive, economic weapons have been cleverly blended with military assistance, propaganda and diplomatic moves, to inflame local passions and to create and aggravate situations of crisis. The short-term objective is to provoke and capitalize on tensions between the less-developed and the more developed nations of the Free World. The long-range aim is to create climates and attitudes in the newly-emerging areas which will be conducive to eventual Communist take-over.

The United States has, for years, been building a firm international economic framework designed to help the peoples of the newly-developing nations realize their potential for growth as free citizens. The Soviet offensive in the underdeveloped countries has served to impart a greater sense of urgency to our efforts.

It is now an accepted imperative of our national policy that the aspirations of the newly-emerging peoples confront us with the most challenging task in our history — one that calls for the ready response of our best minds and resources.

States We Need a High Growth Rate

In approaching this task, one of the most important contributions we can make is to maintain a high rate of growth in our own country. For, as our economy grows and prospers, its benefits are transmitted through normal trade and private capital channels to all nations which participate with us in the Free World multilateral trading system.

However, to accelerate the rate of sound economic growth in the underdeveloped countries, considerably more investment capital is needed from outside sources. Public financing is required to supplement and accelerate the contributions being made by the normal flow of trade and private investment.

These are some of the steps necessary to bolster the efforts the newly-emerging peoples are making on their own behalf.

First, we must take a leading part in reducing barriers to world trade, both through our own practices and through the General Agreement on Tariffs and Trade. This will increase the ability of less-developed countries to pay for their own economic development through sales of their products.

Second, we must be sympathetic and open-minded regarding the problems which the less-developed nations face as a result of severe price fluctuations of their raw material exports. Such price fluctuations can, and have, wiped out many of the benefits to the less-developed countries from Western economic assistance. While fixed price stabilization schemes cannot provide the answer to these problems, there are other constructive actions which can and should be undertaken.

Third, we must increase the resources of the International Monetary Fund to assist Free World countries in meeting temporary drains on their foreign exchange reserves. We must also expand the lending capacity of the International Bank for Reconstruction and Development, which has accomplished so much in furthering the economic development of the less-developed countries.

Turns to Latin America

For many years, our sister republics to the south have urged the establishment of a special lending institution to promote the economic development of Latin America. We have now agreed to participate in such an institution and our representatives are currently meeting in Washington with officials of the other American States to draw up its charter. I consider the creation of this new institution to be a sound and forwardlooking step which holds great promise for the future development of Latin America.

Fourth, we must emphasize the role of our new Development Loan Fund as a source of development financing on flexible terms of repayment. The Development Loan Fund must be enabled to take a more active part with the World Bank and our Export-Import Bank in stimulating an increased flow of capital for development programs.

Fifth, we must continue to extend technical assistance to the underdeveloped nations through our long-established programs of bilateral technical cooperation, and through the multi-lateral programs of the United Nations and the Organization of American States.

Finally, I cannot stress too strongly the urgent need to call upon the vast human and financial resources of the private sector of our economy to work with Government in pushing back the frontiers of Free World economic development. Government alone cannot do the job. Increased private investment abroad and the enlistment of private managerial and technical talents are urgently in demand.

When the Soviet Government engages in economic assistance, it uses the resources of its entire economy, because there is complete identity between the economy and the Government. We have no wish to emulate Soviet patterns of organization or behavior. However, during times of crisis in our past, private enterprise has formed an effective working partnership with government. We are now living in a time of continuing crisis. We must find ways to forge a new working partnership to meet the challenge of our time.

Success in the achievement of our objectives will require the combined efforts of the entire American people. I look to our internationally minded business community to take up the challenge.

Samuel A. Gayley

Samuel Alexander Gayley passed away Jan. 28 at the age of 59. Mr. Gayley had been in the investment business in Philadelphia.

Richard A. Cunningham

Richard A. Cunningham, head of his own investment firm in New York City, passed away Feb. 3 at the age of 53.

Downs, With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Cecil J. Downs has become associated with J. A. Hogle & Co., 428 North Camden Drive. Mr. Downs, who has been in the investment business for many years in Chicago and Los Angeles, has recently been with Boren & Co. and Daniel D. Weston & Co.

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NASD District No. 7 Elects Officers

NASHVILLE, Tenn. — Gus G. Halliburton, Vice-President, Equitable Securities Corporation, Nashville, was elected Chairman

Gus G. Halliburton Frank A. Chisholm

of District Committee No. 7 of the National Association of Securities Dealers. Frank A. Chisholm, Executive Vice-President, Varnedoe, Chisholm & Co., Inc., Savannah, was elected Vice-Chairman. The District comprises the states of Florida, Georgia, South Carolina and a part of Tennessee.

Bennett Whipple, with the NASD office in Atlanta, is Secretary of District Committee No. 7. The association has reclassified its Districts. Until the change, Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina, and Tennessee comprised District No. 9.

R. J. M. Wilson V.-P. Of Union Service

Robert J. M. Wilson has been elected a Vice-President of Union Service Corporation, the organization that supplies investment research and administrative services to a group of investment companies which includes Tri-Continental Corporation, and the Broad Street Group of Mutual Funds, it was announced Feb. 10 by Francis F. Randolph, Chairman of the Board and President.

Mr. Wilson joined the investment research staff of Union Service Corporation after three years' experience in the buying department of a subsidiary of Tri-Continental Corporation. He has had wide experience in security analysis and at present serves as Secretary of the Investment Committees of Tri-Continental, Broad Street Investing, National Investors and Whitehall Fund.

Kroeze, McLarty & Co. Phila.-Balt. Exch. Member

PHILADELPHIA, Pa.—Kroeze, McLarty & Co., of Jackson, Miss., have been admitted as a member firm of the Philadelphia-Baltimore Stock Exchange. Fifteen firms with home offices in Georgia, Florida, South Carolina and Alabama have joined the Exchange in recent years. Jack M. McLarty brings to the Exchange the first firm with a home office in the State of Mississippi. The expansion of the Exchange is reflected in a steady increase in business, 1,100,094 shares being traded in January, 1959, the largest volume of any January since 1930.

With Bruns, Nordeman

Harry Bonell, Thomas R. Lanese and Allan Lefcourt have become associated with Bruns, Nordeman & Co., 321 Broadway, New York City, members of the New York Stock Exchange, as registered representatives.

Four With Graham, King

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward M. Armstrong, Jr., Donald W. Rosche, Chester N. Smith and Josephine A. Sullivan are now affiliated with Graham & King, Inc., 16 Court Street.

Continued from page 4

The State of Trade and Industry

last year. Our preliminary totals stand at $25,386,559,311 against $23,389,033,185 for the same week in 1958.

Bank clearings for New York City totaled $13,645,032,447 against $12,831,635,428 or 6.3% gain for week ended Feb. 7. Chicago $1,197,344,524 compared with $1,076,430,631 or a 11.2% gain and Philadelphia $1,088,000,000 against $942,000,000 or 15.5% gain over same week in 1958.

Foreign Competition on Overseas Construction Stronger

U. S. construction contractors may be in for a wave of new foreign competition for prime contract awards on overseas military construction projects, reports "Engineering News-Record," the McGraw-Hill publication.

In the past, U. S. firms have generally received preference in such work. Foreign construction companies, however, have been allowed to be partners with U. S. firms in joint ventures to bid on prime awards.

Now, foreign construction companies may be allowed to take prime contracts on their own—without U. S. partners. And U. S. Defense officials concede there is a growing trend to permit foreign firms to bid on and win military construction prime awards.

In France and Great Britain, for instance, the U. S. already has been forced to accept a new procedure, the magazine reports. Under it, the two countries award the construction contracts for U. S.-financed military bases—and normally the awards go to their own nationals.

Pentagon officials say they are under increasing pressure from Canada to place construction contracts there with native firms. The Defense Department which has made concessions, now allows Canadians to bid in competition for prime contracts with U. S. firms.

Still, there is a factor favoring U. S. contractors; the secrecy surrounding much of the overseas military construction program and the natural U. S. reluctance to allow a foreign firm to build secret installations.

Demand for Steel Reminiscent of 1956 Buying Rush

Order books are filling up so rapidly that steelmakers fear they won't be able to satisfy their customers, "Steel" magazine reported Feb. 9.

Not since the fall of 1956, when consumers were scrambling to replenish strike-depleted inventories, has the industry seen such a buying rush.

Demand for sheets has reached such a pitch that most mills are allocating tonnage. Some are sold out of all flat-rolled products through June.

Automakers are spurring the buildup. Although building their own inventories at a leisurely pace, they're urging suppliers to accumulate steel in a hurry. Manufacturers of parts are expected to lay in enough metal by June 30 to carry them through initial runs on the 1960 cars.

Knowing they must compete with automotive and appliance steel buyers in a tight market, small consumers are ordering bigger tonnages for first half delivery than business conditions warrant. In some cases, they're placing duplicate orders.

As for other steel products, demand for plates has picked up tremendously, and some producers expect full operations through June. Structural mills are enjoying better business than they've had in months. Oil companies are moving ahead with their drilling programs and placing substantial orders for tubing and casing.

Steelmaking operations last week climbed 1 point to 79% of capacity. Production was about 2,237,000 net tons of steel for ingots and castings, largest of any week since June 3, 1957.

Near-record metalworking profits are on the way, "Steel" said. Based on trends and industry leader predictions, here's what to expect in the first half:

Record earnings for aluminum producers and makers of cans; farm, office, and electrical equipment; and some fabricated metal products.

Near-record profits for steelmakers, most instrument people, some component makers and some producers of consumer durable goods—especially those closely tied to the trend in new home construction.

Some aircraft and automotive firms will chalk up records or near-record profits; others will settle for a "good" year.

Capital goods industries will not fare so well. Their earnings are inching upward too slowly to hit the 1957 level by the end of this year.

A "Steel" survey shows small, sporadic hikes in prices of some components are expected in the first half. Spotty hikes of 5 to 10% are indicated for stampings; a 4 to 7% increase for fasteners; and a 5% hike for antifriction bearings. Price stability is ahead for diecastings, screw machine products, and relays. Less price cutting is expected in gears.

The magazine's composite on the prime grade of scarp increased for the fourth straight week. At $42.50 a gross ton, it is up 83 cents.

Actual Need Big Factor in Steel Buying

Strike-hedge buying is only part of the story behind the upsurge in steel demand, according to "The Iron Age," national metalworking weekly.

"Iron Age" said the mills report growing signs that steel-using companies are buying for actual need as well as for inventory-building in case there is a strike next summer. They say incoming orders are firm and solid.

"There are no phonies in this thing," said one steel man. "You don't have customers suddenly jumping from 100 tons to 1,000 tons a month. The increases line up with past patterns on our share of the market."

"Iron Age" said steel men report their customers are not just issuing blanket orders for the first half or even for a given month. They want to know the week shipments will arrive. This indicates they probably need the steel to meet rising production levels in their own operations.

Another straw in the wind: Steel service centers (warehouses) in the Chicago area have started to receive some mill-sized orders for sheet and coated sheet. What apparently is happening is that some steel users are turning to warehouses when mills cannot meet delivery schedules.

The metalworking weekly said that many steel users who waited too long to place orders are being turned down by the mills, especially on sheet and strip. Another reason for this is that the mills are carefully screening orders, partly to take care of their regular customers and partly to see that everyone gets a fair shake.

In some cases, said "Iron Age," steel sales offices are dickering with home office management to squeeze valued accounts onto mill rolling schedules.

The magazine said that for all intents and purposes, sheet capacity for the first six months has been spoken for. The mills know that what little rolling space is still available will be snapped up before too long.

Market strength in flat-rolled products (sheets, strip, and coated sheets) is spreading to other steel items.

"Iron Age" said the outlook now is for bar mills to be booked to capacity by April. Wide flange beams will be sold out for the second quarter. Seamless pipe mills will go to 100% of capacity this month or in March. One maker of manufacturers wire and rod is now at 80% of capacity, expects to hit a peak of about 90%. The mills expect standard pipe to hit capacity in May and June.

Merchant wire products are still weak. Standard structurals are lagging. Both light and heavy plate orders are being carefully screened in what amounts to a system of allocations.

Steel Production Continues to Climb

The American Iron and Steel Institute announced that the operating rate of steel companies will average *147.1% of steel capacity for the week beginning Feb. 9, equivalent to 2,363,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *142.4% of capacity and 2,288,000 tons a week ago.

Actual output for Feb. 2 week was equal to 80.8% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for the week of Feb. 9 is 83.5%.

For the like week a month ago the rate was *131.4% and production 2,111,000 tons. A year ago the actual weekly production was placed at 1,445,000 tons or 90%.

*Index of production is based on average weekly production for 1947-1949.

Added Steelmaking Capacity: Free World vs. Russia

The free world added 53.8 million net tons to steelmaking capacity between 1955 and 1958, while Russia and its satellites added 19.8 million tons, American Iron and Steel Institute reported on the basis of reports by the United Nations.

Such comparisons have been rare because few foreign nations regularly estimate steel capacity as is done annually for the United States by the Institute.

Between 1955 and 1958, this country increased capacity by nearly 14.9 million net tons, while Russia added 10.3 million net tons.

Meanwhile, the free nations of the world other than the United States increased their aggregate steel making capacity by nearly 38.9 million tons against about 9.5 million tons added by all the countries under Russian domination.

World steelmaking capacity, at nearly 372.5 million net tons in 1958, increased nearly 25% from the 1955 level.

Since the United Nations capacity figures were reported late last year, Russia and China have announced major steel industry expansion programs.

Automobile Production Down 2%

Production in the week beginning Feb. 2 was calculated by Ward's at 117,050 cars, 2% below previous week's total of 119,678, and 25,142 trucks, 1% more than the earlier week's output of 24,938 units. In the corresponding week last year, 109,028 cars and 19,481 trucks were turned out.

There was no output of Plymouth or Dodge automobiles in the latest week, Ward's said, although Chrysler Corp.'s De Soto-Chrysler and Imperial plants in Detroit operated. The corporation's assembly activity has been hampered since mid-January by a Pittsburgh Plate Glass Co. strike.

Ward's said all General Motors plants were on five-day programs. Throughout the remainder of the industry, eight car-making factories scheduled Monday through Saturday work. Included were five Ford Division plants, Lincoln's Wixom, Mich., facility, American Motors in Kenosha, Wis., and Studebaker-Packard in South Bend, Ind.

The statistical publication reported that car manufacturers have hopes of producing 500,000 automobiles in February. Whether or not the volume is reached depends essentially on settlement of the Pittsburgh Plate Glass Co. strike and Chrysler Corp.'s resumption of normal production rates. Output of cars in January totaled 545,757 units.

January New Car Sales 12.6% Above Last Year

New car dealers boosted their January auto sales 12.6% over the 380,000 a year ago, posting a 428,000 volume that was equivalent to a 5,052,000 annual rate not counting 400,000 forecast imports.

Ward's Automotive Reports said that Jan. 21-31 deliveries, at 16,780 units daily, dipped 1% under the mid-month rate but ran 14.1% above the 14,700 in Jan. 21-31 last year.

The month-end close-out gave entire January 16,458 sales for each selling day compared with 14,615 last year and was restricted by freezing weather in many high-volume mid-west sales areas.

Electric Output Higher Than in Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 7, was estimated at 13,292,000 kwh., according to the Edison Electric Institute. Output the past week was above the level of the preceding week.

For the week ended Feb. 7 output increased by 141,000,000

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kwh. above that of the previous week and showed a gain of 1,003,000,000 kwh. above that of the comparable 1958 week.

Carloadings Drop 4.9% Above Preceding Week

Loading of revenue freight for the week ended Jan. 31, totaled 582,636 cars, the Association of American Railroads announced, an increase of 27,089 cars or 4.9% below the preceding week. The total for the latest week reflected an increase of 32,104 cars or 5.8% above the corresponding week in 1958, but a decrease of 65,336 cars or 10.1% below the corresponding week in 1957.

Lumber Shipments Show 5.4% Gain

Lumber shipments of 468 mills reporting to the National Lumber Trade Barometer were 5.4% above production for the week ended Jan. 31. In the same week new orders of these mills were 11% 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 45 days' production.

For the year-to-date, shipments of reporting identical mills were 0.8% above production; new orders were 9.1% above production.

For the week ended Jan. 31, as compared with the preceding week, production of reporting mills was 2.4% below; shipments were 4.6% above; new orders were 2.8% below. Compared with the corresponding week in 1958, production of reporting mills was 0.1% below; shipments were 12.1% above; and new orders were 18.2% above.

Business Failures Down Sharply

Commercial and industrial failures fell to 271 in the week ended Feb. 5 from 322 in the preceding week, reported Dun & Bradstreet, Inc. At the lowest level in five weeks, casualties were considerably less numerous than a year ago when 342 occurred, and they were slightly below the 287 in 1957. Compared with the prewar failure level, the toll was down 15% from the 318 in the comparable week of 1939.

Casualties involving liabilities of $5,000 or more declined to 235 from 264 in the previous week and 247 last year. A downturn also prevailed among small failures, those with liabilities under $5,000, which dipped to 36 from 58 a week earlier and 45 in the similar week a year ago. Liabilities in excess of $100,000 were incurred by 30 of the failing concerns as against 31 in the preceding week.

All industry and trade groups had lower failures during the week, although the dip in manufacturing was slight, to 47 from 49. Meanwhile, the toll among retailers fell to 133 from 159, among wholesalers to 22 from 31, among construction contractors to 44 from 52, and among commercial services to 25 from 31. Fewer businesses succumbed than last year in all lines; the sharpest decline from 1958 occurred in retail trade and the mildest dip appeared in the service group.

Five of the nine major geographic regions accounted for all of the week-to-week decrease. The Middle Atlantic States reported a total of 92 as against 117, the East North Central 41 as against 57, and the South Atlantic 11 as against 26. Contrasting increases prevailed in four regions, with the Pacific total edging to 61 from 60. In all except two regions, fewer businesses failed than in the corresponding week of last year. The most noticeable declines appeared in the South Atlantic and South Central States where tolls were less than half as heavy as in 1958.

Wholesale Food Price Index Drops 0.2%

The wholesale food price index, as compiled by Dun & Bradstreet, Inc., stood at $6.19 on Feb. 3, a drop of 0.2% from the prior week's figure of $6.20. A year ago, however, the figure was $6.47, or 4.3% higher. As a matter of fact, the week of Feb. 3 marked the fifth successive week that the index was below that of the similar date in 1958.

Commodities quoted higher in the week ended Feb. 3 were flour, rye, coffee, eggs, and molasses. Lower in wholesale cost were corn, oats, barley, beef, hams, bellies, lard, butter, sugar, cottonseed oil, cocoa, steers, and hogs.

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. Figures for recent dates follow:

Wholesale Commodity Price Index Rises Slightly

Higher prices on grains, hogs, lambs and steel scrap helped the general commodity price level climb over that of the prior week. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., rose to 276.47 on Feb. 9 from 274.84 a week earlier, but was noticeably below the 279.08 of the similar date a year ago.

A slight reduction in some salable supplies resulted in a steady rise in most grain prices during the week. Stimulated by increased export business, wheat prices climbed moderately, and supplies were slightly reduced. Domestic buying of wheat was close to the prior week.

Although the buying of corn was sluggish again, prices were steady. Light offerings somewhat restricted volume in oats, and prices were sustained at prior week levels. Rye prices advanced substantially as trading moved up. Soybean trading slackened during the week and orders in the meal and oil markets declined; this resulted in a slight decrease in prices.

Despite gains in wheat prices, flour prices declined moderately this week. Buying was restricted to fill-in orders. A high level of both domestic and export buying helped rice prices match those of a week earlier. Rice distributors were stocking up for the forthcoming Lenten season.

There was another slight dip in cocoa prices. Trading was sluggish at the beginning of the week, but picked up at the end of the period. Although coffee trading sagged at the end of the week, prices finished close to those of the preceding week. Despite a moderate rise in volume, sugar prices were unchanged during the week.

Hog receipts fell moderately in Chicago this week and trading picked up resulting in a marked rise in prices. The salable supply of lambs was light, but trading was sustained at a high level and prices moved up. Although cattle receipts were reduced, prices on steers remained close to the preceding week; trading in steers was down slightly.

Cotton prices on the New York Cotton Exchange were close to those of the prior week. There was a slight rise in trading at the end of the week as many traders were influenced by reports on the governments export program for 1959-60. However, volume at the beginning of the week was sluggish due to the announcement of smaller-than-expected loan entries.

Retail Trade Up Moderately Over Last Year's Volume

Retail trade for the week ended Feb. 4 was sparked by good weather in many areas, continued clearance sales promotions, and interest in Spring merchandise boosting the total dollar volume moderately over a year ago. The most noticeable year-to-year gains occurred in sales of apparel, furniture, and some appliances. Scattered reports indicate that the call for new passenger cars rose appreciably and substantial year-to-year increases were maintained.

The total dollar volume of retail trade in the latest week 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 +5 to +9; West North Central +4 to +8; South Atlantic, East South Central, and Mountain +2 to +6; West South Central +1 to +5; Middle Atlantic —1 to +3; East North Central —2 to +2; New England —5 to —1.

Apparel retailers reported marked gains in sales of women's Spring dresses, suits, and sportswear during the week, and volume in Winter coats, accessories, and lingerie was sustained at a high level. There were appreciable year-to-year increases in men's apparel, especially suits and hats. Increased buying of girls' dresses and skirts and boys' jackets and sports shirts boosted over-all volume in children's clothing moderately over a year ago. Retail stocks in some lines of girls' apparel were limited.

A rise in purchases of television sets, radios, lamps, and small electrical housewares offset declines in laundry equipment and refrigerators helping total appliance sales climb slightly over last year. Shoppers stepped up their buying of upholstered living room chairs and bedroom sets holding furniture volume close to the prior week; marked gains over a year ago prevailed. While the call for linens advanced from the prior week, interest in draperies and floor coverings was unchanged.

Food buying heightened this week. Housewives increased their purchases of canned goods, frozen juice concentrates, and poultry.

Nationwide Department Store Sales Up 8%

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended Jan. 31, advanced 8% above the like period last year. In the preceding week, Jan. 24, an increase of 5% was reported. For the four weeks ended Jan. 31 a gain of 6% was registered.

According to the Federal Reserve System department store sales in New York City for the week ended Jan. 31 showed a 4% increase from that of the like period last year. In the preceding week, Jan. 24, an increase of 1% was reported. For the four weeks ended Jan. 31 an increase of 2% was noted over the volume in the corresponding period in 1958.

Securities Salesman's Corner

By JOHN DUTTON

Developing the "Special Situation" Account

During the past few weeks we have discussed the particular type of ultra-sophisticated investor that is interested in obtaining a much larger profit from his speculative activities than the average run of security buyers. This week's column suggests methods of sales procedure after you have met such an individual and have become acquainted on a favorable basis.

Know Your Facts

The investor who has substantial funds for investment in these very special type of situations that involve greater than average risk is going to be a well informed, methodical, practical and experienced business man as well as an investor. He will have at his command many contacts for checking and cross-checking information that comes to him. He will have good legal advice. He will have had background in meeting with and evaluating many salesmen and promoters who have come to him over the years, and you can be certain that when he meets you he will instinctively size you up. He will judge your candor, your general background, the way you present your proposition, the way you handle your facts.

This man is not going to give any salesman his time unless he believes that salesman has contacts, connections, and a firm behind him that can come up with an occasional meritorious proposal for investment that will be sufficiently interesting to him to investigate it. So number one know your facts, have a background knowledge of the securities markets, the general economic situation, and don't show this man anything unless it offers a real basis for favorable action on his part.

Be Restrained

Overselling is not indicated in any phase of security salesmanship. If you are attempting to do business with this type of investor, who can place several hundred thousand to several millions in some young company, it is fatal to oversell. Right from the word go, the first time you meet him you must present both sides of your proposition. He will desire both the pros and the cons. He expects to have them placed before him by the salesman who brings any situation to his attention. The preliminary discovery, the original investigation must be made by your firm and the more you know about the unfavorable as well as the favorable factors involved, the better you too will be able to present your proposition. If the possibilities for success were not heavily weighted against those which were unfavorable, you would not be trying to sell the deal.

If there is any field of security salesmanship that calls for a completely objective, analytical, factual approach it is when you are dealing with this type of investor and you have something worthwhile to offer. Generalities, guesses, hunches, overstatements, are out. Unless you have the facts, and the situation looks very promising and you are ready to back the proposal with a substantial offer that will be interesting, wait until you are ready to do this. It is better to wait months or a year until you have something good than try to sell this man something that won't fit. Glamour salesmanship is out here —and if you try it you probably will never have a second chance to show him anything else.

Keep Your Sights High

This is one time when you must think "big." This type of investor will not be interested in picking up small little pieces of many different situations. First of all, he is too busy to keep track of too many small investments. This holds true for the larger investor in general securities as well. It is a mistake to offer any large investor a few hundred shares of anything no matter how attractive it may be. If you can't put a substantial block together, don't offer it. You will show your lack of experience and competence if you do this.

It is better to offer a larger block than you believe your man may be able to buy than to show him something too small. Many times a substantial commitment can come to you from several people rather than from one. Remember the man who deals in large blocks of securities and who trades and operates in the higher echelons of finance also has friends and associates who are only too willing to go along with him. If a situation is promising and your man may only be able to take a part of it; if he likes it that won't stop him. He will acquire some associates and you will still work with him and through him. When you are ready to show him something worthwhile don't let size deter you. He will be annoyed if you underestimate his investment capacity, but you will not risk his displeasure if you overestimate it.

Undue Familiarity Unnecessary

In your relations with the larger investor undue familiarity is not essential to success. If you have the proposition for which he is looking and you can be concise, scrupulously honest in your presentation, completely sold yourself on the possibilities and attractiveness of your proposal, and you have done a complete job of preliminary investigation; make your appointment, set up your conference and lay the facts on the table. These very choice accounts can not be found on every street corner; neither for that matter can situations be uncovered in which they may be interested without considerable effort, however, when you do find this combination, the rewards are high if you can put the right man in touch with the right deal.

R. W. Pressprich & Co. Appoints S. F. Manager

SAN FRANCISCO, Calif.—Gordon Dickinson Williams has been appointed Manager of the San Francisco office, 605 Market Street, of the investment firm of R. W. Pressprich & Co., members of the New York Stock Exchange. Brock Thompson has become associated with the same office.

P. L. Davies Director

Paul L. Davies has been nominated for a director of the Lehman Corporation, New York City.

Timothy F. Allen

Timothy Field Allen passed away at the age of 85. Mr. Allen who had been in the investment business since 1895, was a limited partner in W. E. Burnet & Co., New York.

Two With Kalman & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Paul A. Lynch and Roger T. Whitney are now affiliated with Kalman & Company, Inc., Endicott Building.

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Railroad Securities

Delaware & Hudson

Delaware & Hudson shares have done little marketwise recently. There have been some doubts as to the maintenance of the $2 annual dividend rate. Consolidated 1958 net income amounted to only $1.62 a share as compared with $4.45 a share in 1957. However, 1959 prospects indicate that the dividend rate will be maintained.

Earnings of the railroad subsidiary are expected to show improvements this year. For example, iron ore shipments, which are an important traffic item, are expected to increase. Other traffic can be anticipated to be stimulated by the rising economy, and consequently favorable carloading comparisons are looked for in coming months.

Last year, railroad operations were able to carry 13.3% of every revenue dollar down to pretax net, despite the drop in general business. In view of this showing, D. & H. should have little difficulty in bringing down higher gross revenues to net. Another important factor would be an increase in normal per diem credits to around $1,000,000 annually, which would add some $1 a share before taxes.

The outlook for the coal company subsidiary remains clouded. Hudson Coal is faced with lack of export demand and further loss of its Canadian shipments. The company also has been faced with a large increase in wages which became effective on Feb. 1. Losses of the coal company last year rose to $683,000 from $488,000 in 1957. Output last year totaled only 1,800,000 tons mined as compared with 2,200,000 tons in 1957. However, the coal company continues as a source of traffic and generates cash.

In view of improved traffic and better operations by the coal company, it is possible that earnings of D. & H. could recover to above $3 a share this year.

Delaware & Hudson continues to be in a strong financial condition. As of Nov. 30, 1958, cash and cash equivalents amounted to $22,400,000 and current liabilities were only $13,000,000. Net working capital aggregated $22,600,000, which is approximately one-third of gross revenues, an exceptionally high amount.

Continued from page 3

Common Stocks and Inflation

necessary to extend maturities a safe distance into the future.

Labor power exceeds all other powers, and goes on almost unchecked. Raise after raise is forced through without much consideration of productivity, and contract after contract contains clauses providing for automatic increases if there is a rise in the cost of living — truly a perfect example of how to make rampaging inflation a certainty.

A wild stock market attests to the fact that the public aims to protect itself. A sick bond market serves as further proof that the public does not intend to be caught holding the bag of government deficits.

Even responsible men are heard to say that the only way out is to wash the government's debt and all its financial obligations down a common sewer of inflation. For the government is now reaching the point where it must either reduce benefit money (which is not politically expedient) or tax up to budget needs (which is not economically feasible) or finance deficits through the commercial banks (which will flood the country with worthless money).

So, the argument goes, buy common stocks to protect yourself, because everything points to far more inflation in the future.

Curiously enough, proponents of this argument assume that inflation in the future will progress **indefinitely**, at a moderate rate, and that corporate profits will rise correspondingly. In other words, they seem to reject the idea that moderate inflation might ever become rampant inflation and that under rampant inflation profits might shrink.

In addition to assuming that moderate inflation will continue forever into the future, there is an apparant trust in the belief that stocks will forever prove a good hedge against inflation. One never runs across the idea (except among a few investment counselors) that under conditions of rampant inflation, common stocks may prove a doubtful hedge.

A Critical View of the Foregoing Argument

If half the previously outlined portents come to pass, it is illogical to assume that their occurrence will usher in another quarter century of profitable business under conditions of moderate inflation. The very legitimacy of present day fears concerning continuing inflation is inherent in the conclusion that unless such trends are checked, the results will eventually prove disastrous.

The Achilles' heel of the "moderate inflationist's" argument centers around these two unlikelihoods: (1) That moderate inflation will continue forever and not at some time become serious rampant inflation, and (2) That corporate profits will always be able to keep pace with whatever inflation we have.

Moderate inflation is a fair bet for the next five or six years or until such time as it takes us to work off our present industrial productive over-capacity. But beyond that point it is a poor possibility — unless we have a radical change in government. Ordinarily, it would be a fair bet to presuppose that corporate profits would keep pace with moderate inflation but this seems unlikely now. The 86th Congress is heavily weighted with anti-profit politicians. In the 1960 elections we may experience an even stronger trend in this direction. Business is in for restrictions and persecution—not freedom and encouragement. How can profits increase much in such an atmosphere?

Why Rampant Inflation?

The typical investor has placed great reliance upon our government's ability to produce and control a nice, respectable, prosperous, non-inflammable, continuous inflation of about 3% per annum *ad infinitum.* One might as well have hopes of achieving the permanent status of a 3% dope addict or 3% prostitute or 3% liar. This is preposterous reasoning, but it has given birth to a devilishly contagious idea of unequaled popularity.

This belief is wicked, conceived as it is in immorality (cheating savers). It is dangerous, for under fundamentally deflationary conditions it may work well for years, leading a people to believe it will work forever. It is preposterous because it assumes that a little inflation, however long compounded, will not cause trouble. It is unrealistic in that it presupposes that once a government starts with a 3% inflation it will stop at that point. Page the ghost of John Law.

Inflation is a form of mass robbery perpetrated against the best element in all society — the hard working, frugal, self-supporting, trusting person. In order that great sums may be quietly swindled from such people the element of trust must be highly developed. Once the populace is wise to the fact that government-induced inflation is a weapon aimed at those who will work, sacrifice and invest, trust evaporates and the jig is up.

The public adjusts. Liquid savings are withdrawn and used. Current income is spent immediately, Each commitment is measured against one socially vicious standard, namely its ability to stand up under withering inflation. The public ceases to believe in the integrity of its government. There then follows, in about this order, and extravagantly wild business boom accompanied by soaring prices and wages, government controls, serious financial difficulties and capital shortages, economic stagnation, and lastly, a fearsome political vacuum.

At this moment we should be bumping against the outer fringes of a tornado-like inflation vortex, were it not for the fact that our productive capacity is possibly 25% above present demand. It is this situation which has retarded rampant inflation, and has prevented the current flight from the dollar in the stock market from spreading throughout all areas of our economic life.

What happens when the life of this insulator expires and business is no longer plagued with over-capacity?

The answer appears to be rampant inflation, for these reasons:

We cannot expect much financial restraint from Washington. For years the politicians have been practicing government-induced inflation without causing galloping inflation—how can we expect them to know they are at the end of the rope? They will continue as in the past, but just about every other element in the tragedy will change.

Business will have to pass on increased costs, causing sharp price increases. These will lead to government controls, which in turn will generate shortages leading to even higher prices and more wage increases. Controls will then force business to cut back on production in an effort to minimize losses. As this process is developing an inventory boom will set in coupled with heavy consumer spending as the public stocks up. Another flight from the dollar will have begun.

When rampant inflation sets in there will be signs aplenty to aid in its identity. Money will pour into land, inventories, gold, gems, objects of art, commodities, consumer durables and non-durables alike. Money will be withdrawn from financial institutions and spent, insurance cashed in, pay checks spent at once.

In this way moderate inflation will end and rampant inflation will begin. For these reasons the idea of an indefinitely continuing moderate inflation is rejected.

Recapitulation

The summary of this article is presented in the form of an outline of probable future events, arranged in the order of anticipated occurrence. History will prove that timing and sequence are often faulty, also that some scheduled events never come to pass, while other, more important, matters take place which are not even mentioned in this outline. The author's object is not to outdo Nostradamus but rather to set forth in an unmistakable way, and without resorting to sickening double-talk, the probable flow of events, **if our government fails to stop inflation.**

PERIOD I: 1959-1965
Excess Productive Capacity Checks Inflation

(1) Rampant inflation is forestalled because of keen competition arising from excess industrial capacity; so moderate inflation continues for a few more years.

(2) Government is able to continue large scale deficit financing (thanks to productive over-capacity) without causing explosive inflation. In like manner, the full effect of wage increases is not felt.

(3) As time goes on and the gap between productive capacity and demand narrows; inflation grows stronger.

(4) Late in this period the attempts of business to pass on increased costs lead to restrictive legislation and price controls.

(5) The profits squeeze gets so bad and stockholders so disappointed, that common stocks lose popularity and prices fall.

(6) The early part of this period will offer the best opportunity to stock up on consumer durables, land and gold—before the onset of rampant inflation.

(7) As this period draws to an end, demand exceeds supply, black markets begin to take shape, land becomes difficult to buy, price of gold advances sharply.

PERIOD II: 1965-1975
Inflation Becomes Rampant

(1) Government persecution of business (as a policy aimed at checking inflation) fails, because it results in shortages of goods.

(2) Unemployment increases as businessmen cut back on production in an effort to minimize losses. Labor calls for nationalization of industry.

(3) Government deficits prove explosive, causing an immediate skyrocketing of prices.

(4) Cheap money policy collapses as interest rates soar.

(5) Stocks go wild. Rumors prove an unbelievable force. Some stocks double in price in a week; others collapse in a day.

(6) Public spends all funds immediately; saving ceases; insurance industry is crippled.

(7) Land prices go out of sight. Gold sells for more than $100 an ounce.

(8) Public now seeks hedges that may be hidden, as fear of property confiscation intensifies.

(9) Power of military grows.

PERIOD III: 1975-1985
Government Crisis

(1) All debts and obligations of the Federal Government are substantially repudiated.

(2) Those who have received government checks for years are now neglected and forgotten.

(3) A great hunt for scapegoats is hard on New Deal politicians.

(4) Barter flourishes.

(5) The whole nation is torn by strife, as totalitarian forces seek to gain control of the U. S. A.

(6) A poor, tired public will settle for almost any change promising to bring law and order, and favors the military taking over.

(7) People in cities suffer greatly.

(8) Victory by communistic forces will mean an end to all property rights, and may lead to our slavery.

(9) Victory by Fascist forces may lead to an attack by Russia.

(10) First major act of the new government will be to crush labor unions.

Business Man's Bookshelf

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With Edw. D. Jones

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Walter F. Griesedieck has become affiliated with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

Rejoins King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Harry A. Siemers has rejoined King Merritt & Co., Inc. He has recently been associated with Reinholdt & Gardner and Fusz-Schmelzle & Co., Inc.

Yates, Heitner Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Lawrence T. Drebes has been added to the staff of Yates, Heitner & Woods, Paul Brown Building, members of the New York and Midwest Stock Exchanges. He was previously with G. H. Walker & Co.

Joins Morrison Staff

(Special to THE FINANCIAL CHRONICLE)

CHAROLTTE, N. C. — Jacob Rhodes has joined the staff of Morrison and Company, Liberty Life Building.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio—Glenn L. Wilson is now with Merrill Lynch, Pierce, Fenner & Smith Incorporated, First National Tower.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Peter P. Huff has been added to the staff of Bache & Co., Dixie Terminal Building.

With Westheimer Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Fred C. Beaver is with Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Merrill, Turben Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William M. Caves has been added to the staff of Merrill, Turben & Co., Inc., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Joins First Columbus

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Herbert H. Brune, Jr., has joined the staff of First Columbus Corp., 42 East Gay Street.

Three With Midland Inv.

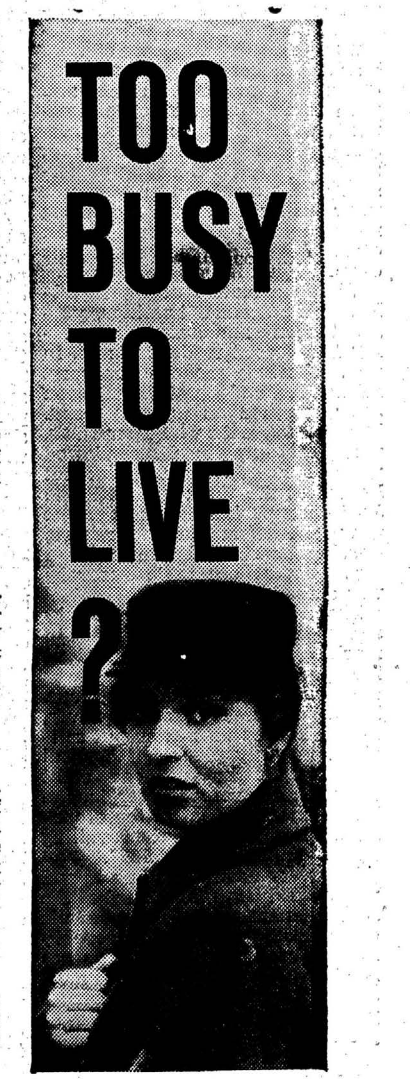
(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—William C. Jaeger, Gilbert Moody and Tom P. Wuichet are now associated with Midland Investors Company, 52 East Gay Street.

Fairman Adds Three

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Donald R. Ashton, Louis Dinsfriend and Billie A. Steen are now connected with Fairman & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange.



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Continued from first page

Recession and Recovery and Maximum Economic Growth

preceding economic recessions. Even while the Committee's Hearings were going on, some were beginning to view the outlook more optimistically. In January, corporations, taking advantage of easier conditions and lower interest costs in financial markets, were offering an increasing volume of new issues in anticipation of future needs for funds, and to refund shorter-term debt. State and local governments were bringing to market bond issues that were deferred earlier, and were stepping up the pace of bond offerings to provide for public works.

Farmers continued to foresee favorable output and price conditions in agriculture and were bidding up further the prices of farm land. Bankers, with slackened customer demand for credit and with strengthened reserve positions, were bidding more aggressively for assets. By February, bankers were accelerating expansion of the assets and deposits of their institutions, thus increasing more rapidly the economy's stock of cash balances and raising its overall liquidity.

Within a matter of weeks following last year's hearings, personal income and consumer spending had ceased to decline and, in fact, showed modest recovery. Production and employment soon after resumed an upward trend. Whether these developments, though encouraging, foreshadowed wide revival in activity was not known at the time; not until the June-July period did the current flow of information and reports provide substantial confirmation that general economic recovery was actually under way.

From that stage on, currently available data, reflecting trends in markets, production, and employment, showed that recovery was both broadly based and vigorous. Pickup in employment, however, lagged behind that of output as is usual in early phases of cyclical upswing. At the year end, eight months after recovery set in, the level of total output in the economy approximated that prevailing at the output peak of 1957.

Recovery has been so rapid and widespread as to indicate that the revival phase of the economic cycle has by this time probably run its course. The economy has reattained its prerecession level and now appears to be entering a phase of resumed economic growth.

Federal Reserve Action to Combat Recession

This brief review of changing levels of economic activity during 1958 provides a backdrop for specific comments about Federal Reserve policy and action over the past 16-month period of recession and recovery.

As reported last year, Federal Reserve policy began to shift in a counter-recession direction in late October and early November of 1957. About that time, the system directed its open market operations to supplying reserves more liberally to the banking system. It also reduced the discount rates on member bank borrowings from the Reserve Banks. As the stream of factual information verified the emergence of recessionary trends, Federal Reserve actions and policies became more aggressive and discount rate, open market, and reserve requirement instruments were actively applied in complementary fashion to foster ease in credit markets and encourage bank credit and monetary expansion.

From late Fall 1957 through April 1958, there were four reductions in Federal Reserve Bank discount rates, from 3½% to 1¾%. Through continuing open market operations from late Fall of 1957 to early last Summer, the Reserve System supplied the commercial banks with some $2 billion of reserve funds. Through three successive reserve requirement reductions in late Winter and early Spring of last year, the system released for the use of member banks about $1.5 billion of their required reserves.

The total amount of reserve funds supplied by the system to commercial banks over the nine months, November 1957-July 1958, was enough to enable member banks to reduce their discounts at the Reserve Banks from $800 million to about $100,000,000 to offset sales of gold to foreign countries amounting to about $1.5 billion, and to finance a commercial bank credit expansion of almost $8 billion. Monetary expansion from February through July stimulated by this Federal Reserve action was at an exceptionally rapid rate—at an annual rate of 13% for all deposits, including time and demand deposits. For the active money supply; that is, demand deposits and currency seasonally adjusted, the rise was at an annual rate of 8%. After the shift in Federal Reserve policy in the Summer, expansion in the active money supply slackened. and for the year as a whole it amounted to about 3½%.

Broader Effects of Monetary Action

Although the immediate impact of Federal Reserve policy was on commercial banks, it clearly had broader effects upon the economy generally. For one thing, since commercial banks are direct participants in some degree in all important credit markets, expansion in bank lending and investing activities intensified competition among all lenders for the acquisition of the available supply of credit-worthy loans and securities. This worked to reduce the cost of financing to borrowers generally — businesses, farmers, consumers and home buyers, and all levels of government. It also widened access of all potential borrowers to credit funds.

Another effect of the credit ease was a greater willingness on the part of banks and other lenders to make new loans to business customers and to renew outstanding credits. This facilitated the orderly run-off of excess business inventories accumulated in the preceding boom. It also furthered the completion of business programs of plant and equipment expansion begun in that period. With a $6 billion reduction in business inventory holdings and a significant cutback in fixed investment programs since recession began, it is perhaps remarkable that business loans outstanding declined only $1½ billion in the year ending September, 1958. The ability of businesses to maintain their bank borrowing and also to borrow more readily in capital markets not only cushioned downward pressures on investment spending but helped many companies to minimize cutbacks in their working force and payrolls, to maintain dividends, and to strengthen liquidity positions.

In housing markets, the easier conditions broadened the availability of mortgage funds. Discounts were reduced on FHA and VA mortgages subject to ceiling interest rates, and interest rates on new conventional mortgages also fell. As bank credit expansion gained in momentum, banks participated in mortgage investment more actively than at any time since the boom housing year of 1955. The increased availability of mortgage funds at lower cost, together with the maintenance of personal income, was promptly reflected in a step-up of builder activity in constructing new houses.

In the consumer instalment credit area. the increased availability of funds made it possible for lenders to meet sound demands for credit more readily, thus bolstering lagging demand for consumer durable goods. On some transactions, terms were eased and, in addition, new credit plans were developed and extended. Easier credit conditions permitted lenders to be more liberal in granting renewals and extensions of time for repayment of outstanding credit. Thus, the volume of repossessions and credit losses was less than would otherwise have been the case, with benefits to both borrowers and lenders.

Increased availability of funds also had an important impact on State and local government financing and spending. In many cases, the lower cost of financing encouraged States and municipalities to borrow in order to finance capital projects. In a few cases, lower market rates enabled local governments that had a legal ceiling on permissible interest rates to return to the market. The increase in spending by State and local governments from the summer of 1957 to the summer of 1958 was $1 billion more than in the corresponding period of the preceding year.

These observable effects of easier monetary conditions which developed from efforts to combat recession were, of course, important and salutary. They are not to be overly stressed, however, for monetary action is always only one element in Government counter-recession policy. In turn, Government policy is always only one element in the total economic scene. Businesses, individuals, and State and local governments, in the light of their own circumstances, were taking actions to adjust and adapt their situations and to redirect their energies. Their actions undoubtedly shaped the recovery and gave it momentum.

Changing Expectations

Achievement of monetary ease to combat recession so promptly and amply was not without its problems. One of the most acute was the build-up of prices in the bond market as speculators counted on continuing business recession, credit ease, and still higher bond prices. Psychological reactions and expectations always play a role in swings in economic and financial developments, but were of particular importance in financial markets last summer as the economic outlook changed from one of a continuing recession to one of early, vigorous recovery.

At that time, the improved economic outlook led to a sharp change in expectations in regard to renewed inflationary pressures and a turnabout in the trend of interest rates. A much larger Federal deficit loomed up than had been estimated, as well as the crisis and threat of military action in the Middle East. Concern about the drain of gold from the nation's monetary reserves through sales of gold to the industrial nations of Europe was a further cause of uncertainty. The fact that the Canadian Government announced a major refunding operation at sharply higher interest rates was also a complicating factor.

In these circumstances, heavy market sales by holders of U. S. Government securities in anticipation of higher interest rates sharply depressed bond prices. Initially, this selling stemmed from temporary holders who had bought in anticipation of a continued rise in Government security prices. Some of these holdings had been acquired with funds borrowed on thin margins in connection with the Treasury's June financing operations. In many cases, selling was forced because the margins vanished as security prices declined.

Prices of Government securities continued to decline under pressure of steady liquidation and the reluctance of investors to purchase market offerings in view of changed prospects for credit demands and inflationary threats. On July 18, the Federal Open Market Committee concluded that the market situation had become disorderly and decided to intervene temporarily in the medium- and long-term sectors of the Government securities market. This action was within the framework of the Committee's established operating rules. From July 18 to July 23 the System purchased $1.2 billion of securities involved in a Treasury refinancing and a small amount of other notes and bonds.

Thereafter, as market conditions became more orderly, no further Federal Reserve open market transactions were effected outside the usual area of short-term Government securities. During late July and early August, sales of Treasury bills by the System together with other factors that absorb reserves more than offset the large volume of reserves supplied to the market by Federal Reserve intervention in the Government bond market.

Shift in Federal Reserve Policy

By this time, there was clear evidence in current statistics that recovery in economic activity and production, though not yet in employment, had gained considerable momentum and was likely to go forward without serious setback. Moreover, in view of the strength of consumer demand, further decline in business inventory holdings and capital outlays was no longer likely. Monetary policy was now reinforcing the existing foundation of productive activity and preparing the economy for a new advance.

About this time, inflationary expectations began to spread. The abrupt upward shift of interest levels in central money markets, while precipitated by liquidation of speculative positions in government securities, reflected investor demand for an interest premium to cover the risk of a depreciating purchasing power of invested funds. It was accompanied by a significant shift in investor allocation of newly available funds to common stocks instead of fixed interest obligations, with hedging against inflation a frequent explanation of the change in investor policy. Large current and prospective demands for credit by the Federal Government, State and local government, and home purchasers, also influenced the rising cost of borrowed funds. In the stock market, the volume of trading was expanding rapidly and the rise in stock prices carried the yields on common stocks below the yields on bonds of the same companies.

Developments in our financial markets, as well as the very large deficit which the Federal Government was facing, were occasioning concern, abroad as well as at home, about the future of the dollar. The extent of concern among foreign financial leaders was clearly evident last Fall at the annual meeting of the International Bank and Monetary Fund at New Delhi, India.

In the light of the rapidly changing economic situation, in many ways highly encouraging but with inflationary and speculative psychology spreading, the Federal Reserve, during the Summer, began to moderate the policy of credit ease with a view to tempering the rate of bank credit and monetary expansion.

System open market operations after midsummer supplied only a portion of the reserves needed to meet rising credit demands and to offset the reserve drain of a continued gold outflow. As a result, member banks were obliged to draw down their excess reserves and to increase their borrowings from the Federal Reserve Banks. Such borrowing was made more costly when Reserve Bank discount rates were raised in the late Summer from 1¾% to 2%, and at mid-fall when they were again raised to a level of 2½%.

Since last Summer, bank credit and the money supply have continued to expand but at a rate much reduced from earlier in the year. Some seasonal expansion in business loans was supplemented by a rapid growth of real estate loans. On the other hand, bank holdings of short-term U. S. Government securities rose only moderately despite a substantial increase in their supply to finance the Treasury's deficit. With business sales and liquidity showing rapid rise, the higher interest rates that developed in the market helped to attract a substantial volume of funds of nonbank investors, especially business corporations, into the purchase of the new short-term Treasury issues. As a consequence, the Treasury was able to finance most of its deficit outside the banking system, and at the same time banks were able to meet private credit demands accompanying economic recovery, with only a moderate further growth in total bank credit and money.

Regulation of Margin Requirements

In addition to its broader monetary responsibilities, the Federal Reserve is directed by law to prescribe margin requirements to guard against excessive use of credit for purchasing or carrying stock market securities. By providing a means of dealing directly with this volatile type of credit, margin requirements serve as a special-purpose supplement to the general instruments of Federal Reserve action. Since the flow of credit into the stock market fluctuates with general business conditions, changes in margin requirements are usually correlated with policy actions that affect general credit availability.

Following the stock market decline in the early Fall of 1957, total credit to customers for purchasing and carrying stock market securities declined by about 5% and was back to about the level outstanding in mid-1955. With this indication of abatement of credit use in the stock market, the Board of Governors, early in January 1958, reduced the required margin from 70 to 50%.

With the increasing activity and rise in stock prices accompanying economic recovery, stock market credit rose sharply, reaching by July a level about 20% above the volume at the beginning of the year. In view of the rapid rise in credit to finance trading in or temporary ownership of stocks and the emerging investment psychology favoring purchase of stocks as an inflation hedge, the Board, early last August, restored the required margin to 70%. As outstanding stock market credit continued to rise following this action, the Board, in mid-October, raised the required margin to 90%.

The Current Situation

The shift in monetary policy during the Fall aligned monetary expansion more closely with the developing potential of the economy. Consumer spending on durable goods and housing continued to expand and was reflected in high levels of output of household durables, in a pickup in production of 1959 autos, and in a rise in new housing starts to one of the highest levels in recent years. Business inventory policies were

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switching from liquidation towards accumulation, and there was a widespread, though small, upturn in capital expenditures. At the same time, Federal, as well as state and local government spending, was expanding rapidly in accordance with budgetary authorizations adopted earlier.

In financial markets moderate curtailment of credit availability and higher interest rates served to dampen speculative excesses then developing, to restrain and spread out the volume of new corporate and municipal security financing, and to facilitate the financing of the large Federal deficit outside the banking system. The restraint of corporate and municipal security financing followed some anticipatory borrowing by these issuers earlier in the year when long-term interest rates were lower. At the turn of the year, business capital financing was again rising, and there was a large calendar of authorized but unissued state and local government securities.

Total economic activity, measured in real terms, has regained its earlier peak. The active money supply has increased by about 2½% above the prerecession level, and holdings of other liquid assets, including time deposits, are up sharply. The financial basis for further growth is established. While economic prospects are generally favorable, there are several areas — unemployment, exports, prices, and Federal finance that are matters for continuing concern.

Despite the rapid recovery in production and sales, unemployment remains disquietingly high. The lag in employment is in part the result of a marked increase in productivity. The present availability of capital and manpower resources represents a potential for near-term growth of the economy without inflation. As output of goods and services expands in response to growing demands, opportunities for employment should increase as they have in past periods of economic expansion.

In exports, which declined sharply until early last year, recovery has not yet set in. The export decline was largely in materials and fuels and was due in part to the ending of boom conditions abroad; resumption of economic expansion is now beginning in industrial countries abroad and eventually there should be some improvement in foreign demand for our exports. It is significant, however, that the European countries which announced a broader convertibility for their currencies at the end of 1958 — and other countries too—are giving our exports of manufactures stiff competition in price and quality, and these countries are now able to devote a larger share of their resources to their own exports than they could in earlier postwar years. While this reflects progress towards international balance, our producers need to adjust to these competitive forces abroad if they are to share in growing world markets.

Prospects for our international payments position thus merge with the third problem; that is, our price system. A market economy such as ours depends upon the price mechanism to allocate resources by reflecting the interplay of demand and supply. The price mechanism cannot do its job of efficient resource allocation in accordance with the changing demands of consumers unless there is some flexibility in individual prices. This does not mean that wide swings in the general price level are desirable. The price paid by Smith represents the income of Jones. But there is cause for concern when, in spite of a decline in the demand for his product, Jones raises his price, and an opportunity to stimulate both output and employment is thwarted. This is particularly disturbing when it comes on top of a price rise that Jones made when the demand for his product increased. Such a one-way movement of prices—whether it is explained as demand-pull, cost-push, or both—is not compatible with an efficient market system. If it were to be continued, it would pose a serious threat to the otherwise favorable prospects for healthy growth in consumption and production.

Now as to Federal finances, it is essential at this stage of the economic cycle that the Government should attain a balanced budget and then achieve some surplus as economic advance continues. Whatever the desirable level of expenditures, deficits, while justified in time of recession, should be avoided when the economy is at a high level of activity.

It is also of vital importance to have a healthy, broad-based Government securities market that enables the Treasury to lodge its debt outside the banking system. In other words, the Treasury must be able to compete effectively and flexibly with other borrowers for the available supply of savings.

Appropriate debt management policies, while contributing to financial stability, are in turn dependent on such stability. Investors cannot be induced to purchase fixed income securities if they fear a steady erosion of the purchasing power of the dollar.

The banking system has an important role to play in aiding the Treasury's financing. This role involves assistance in the broad distribution of securities and, in accordance with the volume of reserves made available and the meeting of essential private credit demands, the retention by banks of that portion of the Government debt that is consistent with stability of the dollar. Resort to financing Government deficits through the banking system entails the creation of new supplies of money rather than the use of existing funds. In a period of high economic activity, this is a high road to monetary inflation. There can be no effective control of inflation if the banking system is made the major source of funds to finance government deficits.

Government Policies and Economic Growth

As the United States economy emerges from the recession of 1957-58, it seems likely, if past experience is a guide, that we are on the threshold of a new period of economic growth. This is an opportune occasion, therefore, to consider the question of appropriate public and private policies to foster steady expansion of the economy.

Economic growth is a principal objective of governmental policy in every country of the world. The rate of growth is widely accepted as an indicator of the performance of an economy. A word of caution is in order, however, regarding the very difficult task of measuring growth. Growth measurements, particularly when they cover long periods of time and comparisons of one country with another, are necessarily approximations. They vary with a host of factors, including the scope of activities covered, both public and private; the character of such activities; quality as contrasted to quantity of output; and many others. Nevertheless, regardless of these measurement difficulties, growth estimates, properly constructed and interpreted, can be useful aids in appraising economic performance.

Desirable economic growth goes beyond increases in line with a growing population and labor force. It involves a rate that makes possible rising living standards through increasing consumption per capita for present and future generations. This requires increasing output per worker; that is, higher productivity through advancing technology.

In our economy, consumption takes the form mainly of consumer purchases of the goods and services supplied in free markets by private producers and merchants. Our living standards also encompass services provided by the various levels of government. Fundamentally, economic growth at a more rapid rate than population increase is the response of men to their ever-increasing wants.

Among the other reasons for seeking economic growth is the importance of demonstrating to the world that free economies under democratic political systems can outperform regimented economies under dictatorial political systems in providing high and rising living standards for all of the people.

Economic progress, however, cannot be measured merely by percentage increases in the quantity of output. Also at stake is the opportunity to live as free men, the responsiveness of the productive system to the desires and tastes of consumers, the quality of goods and services, the degree of leisure and opportunities for using it in a satisfying way, and our willingness to aid other nations seeking similar advantages. These aspects of our economic performance will have a great influence on how the rest of the world judges the merits of free versus regimented economies.

Economic Growth Without Inflation

When we consider the influence of governmental policies on economic growth, it is useful to distinguish between two related aspects of the process. First, growth involves expanding capacity to produce goods and services. Second, it involves expanding demands for goods and services at a rate sufficient to utilize the expanded capacity.

The first aspect of growth—an expanding output potential—depends upon such basic factors as additions to the labor force, advancing technology, and a flow of savings combined with a desire and ability on the part of producers to use them in the creation of a growing stock of modern plant and equipment. The other aspect of growth depends upon a balanced expansion in demands for final product by the major sectors of the economy—households, businesses, governments at the State and local as well as the Federal level, and demands from abroad.

For growth to be sustainable, an equilibrium between these two sides of growth must be maintained. If total demands do not keep up with the output potential, overall growth will slacken, for the inducement to business to add to productive capacity will lessen. If total demands tend to run ahead of the output potential, the general price level will begin to rise and this, in turn, will have an adverse impact both on growth of demands and on means of financing increased and improved capacity. It will also have adverse effects on the efficiency with which resources are utilized; likewise, the equity or fairness with which final products are distributed in markets among consumers, businesses, and savers.

What then is the function of monetary policy in relation to these two aspects of growth? In general, it is to attempt to provide credit and monetary resources and an atmosphere in financial markets conducive to the basic growth factors. At the same time, aggregate demand for goods and services should expand in close relation to the capacity to produce.

On the demand side, growth basically depends on spending out of incomes earned in the production of goods and supplying of services. Monetary policy facilitates the expansion of money holdings, through sound credit expansion, consistent with the growing capacity of the economy to produce without inflation.

On the supply side, basic growth factors are the labor force, technology, and investment of savings. Growth of the labor force is to some extent influenced by overall demands, but more generally by population growth, age distribution, and social customs. Technological progress and the desire to save and invest savings productively are influenced by the monetary environment. An atmosphere of price and financial stability in general is necessary both to the incentive to save and to rapid technological advance. Thus, through continuous efforts to safeguard the value of the dollar and to create a climate of financial stability in which savers can have confidence in the future value of their investments, monetary policy makes a contribution to economic growth quite apart from its influence on demands for goods and services.

It is for these reasons that price and financial stability is essential to the achievement of maximum economic growth. We have had a fairly good growth record over our history, but we have had too much instability in our levels of employment and prices. A major problem is to moderate this instability so that the losses in employment and output of recession periods will not depress our longer-term rate of growth. Currently there is widespread concern about the danger of renewal of inflationary trends. The Federal Reserve shares that concern. To point to dangers in this situation is not to forecast inflation. Public and private actions appropriate to present circumstances can prevent these dangers from materializing.

Among potential inflationary factors first, perhaps foremost, is the budgetary position of the Federal Government. As the economy moves up toward more intensive utilization of its productive resources, it is essential that deficits give way to surpluses. There is no mystery about this source of danger. If the will exists, the way will be found. It clearly lies in adaptation of Federal expenditure and tax policies in order to produce a budgetary surplus in prosperous times.

Second, there are the problems arising from the so-called cost-push inflation which is part of a spiral process stimulated by demand pressures. In the period ahead there is a strong prospect that demands will continue to expand. In these circumstances, we must recognize the dangers both of wage increases in excess of productivity growth and of price increases beyond what the traffic will bear. Business and labor leaders have a paramount responsibility to the general public as they make wage and price decisions over the coming year.

Then there is the easy acceptance of the idea that a little inflation is not seriously harmful. The experience in the government bond market, to which I alluded, is a vivid example of the influence of inflationary expectations in financial markets. To the extent that such attitudes come to be reflected in decisions on wages, prices, consumption, and investment, they help to bring about their own realization.

These are the major reasons for concern about the possible development of inflationary pressures. To be fully aware of a danger, and to face up to it, is not to despair or to capitulate, nor does it mean being blind to other national needs, including sustained economic growth.

The Federal Reserve System will continue to the best of its ability to contribute, so far as it can, to continuing prosperity and economic growth, without inflation. Such decisions as it must make within its particular province manifestly are not enough to assure attainment of the national objectives to which we all subscribe. What this Congress decides, what management, labor, agriculture and, indeed, the public generally decide to do will win or lose the battle against debasement of the currency with all of its perils to free institutions.

The state of the nation tomorrow —its progress and prosperity—rests with the decisions of today.

M. G. Kletz & Co. Offers Wenwood Stock at $3

Michael G. Kletz & Co. Inc., of New York City, on Feb. 3 offered 100,000 shares of common stock (par 25 cents) of Wenwood Organizations Inc., at $3 per share. The offering, which was made as a speculation, has been completed.

The Wenwood company was organized on July 15, 1958 in Delaware and maintains business offices at 62 Third Avenue, Mineola, L. I., N. Y., and 526 North Washington Boulevard (Route 301) Sarasota, Fla. The company has also been qualified to do business in the States of Florida and New York. It is engaged in the business of buying and selling land, and building houses, apartment houses and commercial properties for its own account.

The net proceeds from the sale of these securities will be used for additional working capital.

Giving effect to the new financing, the company will have 409,600 shares of common stock outstanding, out of an authorized issue of 2,000,000 shares.

McMullen & Hard Admit

On Feb. 15 Dan Drewry McMullen will be admitted to partnership in McMullen & Hard, 120 Broadway, New York City, members of the New York Stock Exchange.

New Burnham Branch

NEW HAVEN, Conn.—Burnham & Company has opened a branch office at 205 Orange Street, under the management of Isadore Hyman, assisted by Richard J. Hyman.

New Paine, Webber Branch

SAN FRANCISCO, Cal.—Paine, Webber, Jackson & Curtis, has opened a branch office at 369 Pine Street, under the management of Louis Nicoud, Jr.

Bruns, Nordeman to Admit

On Feb. 28 Abraham C. Goldberg and Benjamin L. Lubin will become partners in Bruns, Nordeman & Co., 52 Wall Street, New York City, members of the New York Stock Exchange.

With Boettcher & Co.

(Special to The Financial Chronicle)

DENVER, Colo. — Fred C. Larkin has become affiliated with Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange.

Lowell, Murphy Adds

(Special to The Financial Chronicle)

DENVER, Colo.—M. John Bernstein is now affiliated with Lowell, Murphy & Co., Inc., Denver Club Building.

Joins Purvis & Co.

(Special to The Financial Chronicle)

DENVER, Colo.—Steve Z. Nemrava has been added to the staff of Purvis and Company, 1717 Stout Street.

Powell, Johnson Adds

(Special to The Financial Chronicle)

PASADENA, Calif.—Harold E. Cooke, Eleazer C. Gray, William R. Smith and Le Roy F. Stone are now affiliated with Powell, Johnson & Powell, Inc., Security Bldg.

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Our Fiscal Situation and Its Impact on the Economy

attained in moving out of the recession of 1954, if we adjust the timing of corporate tax payments for comparability. The personal income figure of $374 billion compares with a rate for December, 1958 of $359 billion; the corporate profits assumption of $47 billion for 1959 compares with a rate for the fourth quarter 1958 of $44 billion.

I present these estimates with the full realization that the revenue results for fiscal 1959 will turn out to be substantially less than we originally estimated.

I believe, however, that our assumptions for fiscal 1960 are sound and will turn out much closer to the mark. They are within the range of calculations made by private estimators, and I understand that similar figures have also been mentioned by some of the experts who have testified before the Joint Economic Committee.

Let us now look at our present situation in a broader perspective. We are well along in the recovery from a recession which is now substantially contributing to the largest peacetime deficit in our history—$12.9 billion at present estimates. Of this deficit, about half will result from a shortfall in revenues. The remaining is the result of increases in expenditures over original budgetary estimates.

The drop in revenues in fiscal 1959 is the direct result of the recession. The increase in expenditures reflects for the most part increases that came about automatically or through actions not primarily related to the recession. Among these are the higher cost of the agricultural program because of larger crops, the Federal Government pay increases, higher defense expenditures, and the proposed subscription to the International Monetary Fund. Some $2 billion of spending, chiefly FNMA mortgage purchases, the extension of unemployment benefits, and direct housing loans by the Veterans Administration, represent actions designed to combat the recession.

What conclusions seem to follow from this experience? First, it seems to me that the economy has once more demonstrated remarkable resilience and resistance to recession. This is indicated by the fact that personal income declined very little, and that the recovery set in very quickly. I attribute this good performance to the inherent qualities of our economy, to the confidence and good sense maintained by our people, and to the automatic stabilizers that have become a part of the economy.

Second, I am concerned with the size of the deficit that the recession in large part produced and with its continuation in a period of growing prosperity. A deficit of this magnitude, unless quickly corrected, can produce serious inflationary pressures in the longer run, even though in the short run these pressures are held in check by excess plant capacity and other factors. The extended unemployment benefits proved timely, but the economy turned around before several of the others could have their full budget effect. Meanwhile these expenditures will continue as we move closer to increased prosperity.

Pleased, Taxes Stayed Put

Third, the decision by the Administration and the Congress to avoid a major tax cut last spring has been justified by events. Had we resorted to a tax cut we would not have had this demonstration of the economy's inherent recuperative powers. We would have helped develop a philosophy that tax relief was necessary to pull us out of a downturn. Also, a tax cut would have increased our present deficit and our public debt, and with them the danger of inflationary pressures in the future.

I fear, however, that price pressures may eventually revive, if we do not finally close the budget gap. I sincerely believe that a nation as rich and productive as ours must, in times of prosperity, at least pay its way. We can afford to do all that is necessary, and much that is desirable, and pay for it. But we should not reach for everything at the same time. Even a rich country can get into trouble if it keeps spending beyond what it pays for currently.

Some people seem to feel that to be for meeting current expenses from current revenues means to be "against" or "negative." Let us not be misled. The fact of the matter is there is almost nothing which is more positive and more important to be for than fiscal soundness. This is an essential condition of our economic health, without which we can have neither adequate military security nor the adequate provision of other needed governmental services. Meeting our expenses currently and all that that means in the way of fiscal soundness and a healthy economy is a highly positive objective which deserves the support of everyone.

Growth requires capital formation, through saving and investment. As a consequence, we should meet our expenditures out of current revenues in prosperous times. A Federal deficit financed outside the banks tends to absorb resources that could otherwise go into private capital formation. A deficit, during prosperity, which is financed through the banks, in itself of course brings inflationary consequences.

Explains Fear of Deficit

A current deficit and the fear of future deficits can keep people from saving because of possible loss of these savings to inflation. If we ever reach the point where people believe that to speculate is safe but to save is to gamble then we are indeed in trouble.

If rising prices which will follow from continued deficits cut into saving habits, the result will be further to diminish the supply of capital for economic growth. We cannot indefinitely expect people to continue their saving if they expect prices to go on rising indefinitely. Our habits of saving, our financial institutions, our monetary system, must not be jeopardized.

Our needs for capital will increase as our labor force begins to expand more rapidly in the early 60s. This expanding labor force, the result of the high birth rate of the 40s, will give a powerful impetus to the economy. But if job opportunities are to be found, with a rising degree of productivity, investment in plant and equipment will have to advance correspondingly.

Details Consequences Abroad

Finally, orderly finances in our country are a key to maintaining the strength of the free world, and our role in it. Our prestige in the world is not enhanced if we fail to practice what we preach. The world watches us very closely. On my trip to and from New Delhi, for the annual meetings of the International Bank and Monetary Fund, I was impressed to discover how well informed foreign officials are about even the details of our budget.

But more than prestige is at stake here. If we run continuing large deficits in prosperity and so almost inevitably drive up prices, we may price ourselves out of world markets. Aside from the losses that this will mean to us, how are we to discharge our world-wide responsibilities if our internaitonal economic position weakens?

Because we are for sustainable and healthy growth, because we are for increasing job opportunities, because we look to the long run and a possibly long period of world tension, we must be for the maintenance of orderly finances and a stable dollar. I believe that the time to face this issue is now. Americans have faith in their money. That faith is justified. Confidence, if shaken, is hard to re-establish. That is why we must keep our expenditures under control, and the budget in hand.

Answers Specific Questions

The Joint Economic Committee has asked me to deal with certain questions I would now like to turn to the first three of these. Mr. Charles Gable, who assists Under Secretary Baird and myself in debt management matters will discuss the fourth question, relating to the management of the public debt. [Editor's Note: Mr. Gable's reply is on page 10 of this issue.]

Question 1: What would you regard as the proper division of labor between tax policy and monetary policy as instruments of economic stabilization during the coming year?

Answer: The first consideration of tax policy is, of course, to keep intact the system by which the United States Government raises its revenues to finance the government service that the nation requires.

Tax policy and monetary policy should continue to work closely to foster economic health with stability of prices as our economy grows.

After a deficit of $12.9 billion expected for fiscal year 1959, the President's budget proposes a budget balance for the fiscal year 1960. For quite a few months ahead, the net effect of fiscal policy will still be to stimulate the economy. As prosperity advances, so will our revenues until the deficit is eliminated at a high level of economic activity if spending is under control.

At the income levels projected in the budget, the tax system is expected to produce revenues approximately equal to proposed expenditures in fiscal 1960. If we achieve our objectives there will be no need, consequently, for an increase in taxes.

By eliminating the deficit, tax policy will greatly ease the task of monetary policy. If we fail to keep 1960 expenditures within income, we contribute to inflationary pressures and complicate the problems of monetary management. Tax policy will render additional assistance to monetary policy by avoiding further permanent borrowing by the Treasury in the market. This will also facilitate the Treasury's own job of handling the public debt.

Question 2: Is the present structure of the Federal tax system adequate in light of the nation's economic growth and stability requirements? If not, what changes would you recommend?

Answer: I believe that any tax structure can always be improved. By that I do not mean to say that we cannot live with our present taxes. We certainly can. If new imperative revenue needs should arise, we could live with higher taxes than the present. Ours is the most productive economy in the world and I do not believe that it would be crushed by its tax burdens, if we are reasonable.

We must constantly evaluate in terms of continuing economic growth both elements of tax reform and, when proper, tax reduction. While these are closely related, they are not necessarily identical.

The Treasury has been studying and continues to study various improvements in the tax system and in tax administration. In this we are cooperating, and shall continue to cooperate, with the appropriate committees of Congress. Many of the adjustments under review are of a technical character. Their application depends in many cases on the resolution of administrative difficulties. It depends further on future business conditions and other factors that cannot now be foreseen. As this is a continuing study both in the Treasury and the committees of the Congress, it would be premature to attempt any detailed discussion.

The Committee questions deal also with the relation of taxes to the stability of the economy. I take it that this refers principally to the cushioning effect that declining tax collections can have during a recession. Illustrative of this effect, of course, is the sharp decline in collection of corporate taxes growing out of the recent recession. It also focuses our attention on the fact that deficits may well continue after the economy has moved up and is advancing toward full prosperity. This sort of complex problem deserves, and will have, our continuing study.

The high degree of resilience which our economy has just demonstrated seems to suggest that we should be cautious and analytical in our evaluations and flexible enough, if some future downturn should require it, to be willing to use whatever instrument seems most appropriate to the occasion. In this connection, some advance planning is proper so that the right decisions can be appropriately taken when we are confronted with cyclical movements in our economy.

Question 3: Under what circumstances can we reduce Federal taxes? What are the prospects for realizing these circumstances?

Answer: The circumstances and prospects of tax reduction would first depend very much on future expenditures and the maintenance of our economic growth. Economic growth can be expected to raise our revenues but it will produce no surplus if we do not control expenditures. Unless we spend wisely we will have trouble taking care of such new requirements as may prove really essential.

Next, tax reduction must be weighed against debt reduction out of surplus. I believe that in years of prosperity we should endeavor to achieve some debt reduction. This policy commends itself as an act of fiscal soundness. It would ease the task of monetary policy and the management of the public debt.

Circumstances for a tax reduction would depend further upon the degree to which we can succeed in avoiding inflation. At times of inflationary pressure we should aim at some budget surplus.

I would not now want to prescribe a precise formula or to try to predict a precise time when tax reduction might properly be considered. I have tried to point out the varying factors which would influence our judgment at the time when such a judgment seems to be appropriate.

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Treasury's Financing Views and Debt Management Problem

turbance was very unsettling to the entire market.

It is clear in retrospect that the reversal in bond prices reflected a legitimate change in investor expectations as economic recovery set in. Furthermore, there is no reasoin to believe that speculation had more than a temporary effect in depressing bond prices. But it is true, nevertheless, that the abruptness of the change in the market was accentuated by excessive speculation.

Protection Against Excesses

A recurrence of such activity should be prevented. The general public should be better protected against such excesses. Furthermore, dealers in government securities under such conditions are unable to perform their vital functions of maintaining an orderly and active market for government securities. The Treasury is at present studying this problem and consultations are underway with the Federal Reserve System and with various other groups in the financial markets to see what steps can be taken to restrain undue speculation without at the same time hampering legitimate dealer operations.

Two more factors during the summer added further to an unsettled government bond market. The first of these was the temporary shock of the *coup d'etat* in Iraq. The second was more fundamental — the growing realization on the part of investors throughout the country that the Federal Government was faced with its largest postwar deficit, a factor which was obviously very important in the development of an inflationary psychology during the fall despite the continued stability of commodity prices. As a result largely of this psychology, a buoyant stock market hit new highs and bond prices—for corporates and municipals as well as for governments—hit new lows, thus adding to the cost of borrowing for business and for all levels of government.

Sees Heavy Treasury Financing Ahead

The Treasury's market financing job in 1959 should be smaller in dollar volume than in 1958 — both in terms of refunding and new cash issuance. Nevertheless the 1959 financing schedule is very heavy. We have already raised over $4 billion in new cash in January through the issuance of $0.9 billion of 21-year bonds, $2.7 billion of 16-month notes and $0.6 billion of additional Treasury bills, bringing the debt up to $286 billion by the end of January. Although the entire deficit for fiscal 1959 has been financed and the debt is expected to fall by June 30, the Treasury will nevertheless need additional cash borrowing amounting to an even larger amount than that raised in January between now and the end of the fiscal year to cover retirements of securities coming due. We also will need an amount which we are not yet prepared to estimate to cover the heavy seasonal deficit in July-December 1959 which will occur even with a balanced budget for the fiscal year 1960 as a whole.

The refunding job this year consists not only of a weekly amount of $2 billion or so of Treasury bills which have to be rolled over, but also $15 billion of maturities in Febraury, 4½ billion in May, $13½ billion in August and $9 billion in November. The February refunding, the largest of the year, was announced last Thursday and we have offered holders of the maturing securities a choice between a new 3¾%

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certificate maturing Feb. 15, 1960 or a 4% note maturing three years from now, both priced at par. The books on this exchange offering closed last night and we expect to announce preliminary results tomorrow afternoon.

Raise Debt Limit

Sometime before the end of the present fiscal year, the Treasury will ask for new legislation on the debt limit. We are now operating under a temporary debt ceiling of $288 billion. That temporary ceiling will expire on June 30, 1959 at which time the ceiling will revert to the permanent debt limit of $283 billion. With a $285 billion public debt now estimated for June 30 an increase in the permanent debt limit to that amount seems indicated, depending, of course, on the final outcome of the fiscal 1959 budget picture. In addition temporary financing needs will require a substantial increase in the public debt—and in the temporary debt limit—during July-December 1959, even though with a balanced budget this would represent financing which could be repaid during January-June 1960.

The environment in which the Treasury's 1959 financing program will take place will, of course, depend on a great many factors. Perhaps the two most important relate to the progress of the Nation's economic growth and the way in which the Federal Government's fiscal programs are handled.

The rate of economic growth and the extent to which demands for funds exceed available savings will, of course, set the basic environment in terms of interest rates and credit availability in which the Treasury will have to operate. Our borrowing, just like that of any other debtor, will continue to be done in a market environment in which neither maturing issues nor new issues are supported by the Federal Reserve. Government borrowing is borrowing which must be done and cannot be postponed. Because of its size Treasury borrowing terms obviously have a greater impact on interest rates than the terms of any other borrower. At times monetary policy may seem to make debt management more costly and more difficult, but that should not be allowed to detract from the appropriateness of an independently conceived and operated monetary policy as a fundamental tool in the control of inflation.

We will continue in 1959 to pursue the major objectives which have guided our operations during the past year. The Treasury will continue to secure its necessary funds at as reasonable a cost to the taxpayer as possible consistent with the major objective of contributing to sound economic growth. We will continue to secure our funds as largely as possible from true savers rather than from commercial banks in order to reduce the inflationary potential of our financing operations during a period of rising economic activity.

We will also continue to take advantage of every opportunity which arises to extend the maturities of our issues in order to reduce to a minimum the disturbing effect of Treasury financing operations on the money markets and on the flotation of new corporate and municipal issues and in order to provide the Federal Reserve with the greatest freedom possible to conduct effective monetary policy.

Sees New High in Short Terms

If we do not seek every opportunity to accomplish debt extension we will find the short-term debt increasing to a new high in the years immediately ahead. The under-one-year debt stood at $72½ billion on Dec. 31, 1958. If no more securities longer than one year to maturity are issued during the remainder of 1959 the under-one-year debt will increase by $11½ billion during the year. Furthermore, the passage of time will bring more of the debt within the one year area in 1960, in 1961 and 1962 so that financing exclusively in the one year area during the next four years (and with no increase in outstanding debt) would bring the amount of under-one-year debt to $129½ billion—about 75% of the total marketable debt oustanding—by the end of 1962.

Presageful Consequences

The importance of sound fiscal policy in setting the environment in which debt management operations are undertaken cannot be overemphasized. The fact that a budget deficit means a larger amount of money to be raised is only a relatively minor part of this problem.

Far more important is the psychological reaction of investors to the prospect of the effect of future inflation upon the purchasing power of the dollars which they invest if they lack confidence in the ability of the Federal Government to manage its fiscal affairs soundly and to take whatevever additional steps are necessary to minimize inflation. This is true not only in relation to Government securities, but to all other fixed dollar obligations as well. A budget deficit in a period of prosperity, and a growing public debt, mean just that much less opportunity for an expansion of mortgage debt, corporate debt and State and local government debt without running the risks of serious monetary inflation.

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Volume Projections for Various Industries

the 1957 peak is in prospect. The handmade segment of the industry, however, is reported feeling the impact of imports.

The silverware industry—which includes flatware and hollow ware made from sterling silver, silverplated ware, and stainless steel—foresees no overall growth in the new year. The industry has felt the impact of Japanese stainless steel flatware in the domestic market.

The outlook for games, toys, and jewelry is promising.

General Industrial Equipment and Components: After a decline during 1958 from the peak reached in 1957, business outlays for new plant and equipment have firmed toward the close of the year at a $30 billion annual rate. Assuming at least the maintenance of the 1958 year-end rate of investment outlays, the broad-gauge group of capital goods industries finds the outlook generally favorable as the new year starts.

Specific reviews in the capital goods field follow:

Materials Handling Equipment: Production and sales in this area, annually exceed $1 billion. It is expected that early 1959 will see a reversal of the slight downturn in evidence in 1958, with operations continuing to show strength. This covers such items as conveyors, cranes, elevators, industrial trucks, and moving stairways. A 20% pick-up is a possibility.

Air Conditioning and Refrigeration: A 10 to 15% pick-up is forecast. Other lines where improvement is in sight include anti-friction bearings, industrial pumps, compressors, and hand tools.

Construction Machinery: Industry looks for a fair production year in 1959, with shipments estimated at $2 billion, compared with $1.7 billion in 1958 and $1.8 billion in 1957. Construction machinery reflected the general downturn in 1958 and correspondingly is expecting to prosper because of the reversal of this trend.

Agricultural Machinery and Equipment: Manufacturers of farm equipment enjoyed a good year in 1958, with farm income at a high level, and are optimistic for 1959 despite a possible drop in farm income. The 1958 production is estimated at $1.9 billion, and a modest increase is forecast for the new year—perhaps 5 to 10%.

Farm machinery exports continue to feel foreign competition.

Mining Machinery: Based on the outlook for higher coal and steel production, the mining machinery industry is due for a 15 to 20% pick-up in 1959. Shipments in 1958 fell about 25% from the previous year.

Oil Field, Gas, and Water-Well Drilling Machinery: The outlook for 1959 rates as more encouraging than operations in 1958, when petroleum production was down about 20% from 1957, and exports likewise tailed off. Demand is expected to go up about 3.9%, and this means a substantial increase in drilling.

Power Equipment: A slight falling-off is in prospect for steam boiler output after 1958 shipments that ran about 38% over the 10-year average but fell below 1957—a record year.

In hydro-turbine production, a substantial increase over 1958 volume is looked for, but steam-turbine production is scheduled at a somewhat lower rate than last year.

Current activity is due to the backlog of orders in the industry. A disturbing factor that will be reflected later is the low level of new orders.

Communications: Manufacturers of communications equipment—which includes the highly complicated switching and transmission items for operating telephone, telegraph, radio and cable companies—anticipate a good year in 1959, with sales of the growing industry reaching $2.55 billion. This compares with $2.48 billion in 1958 and $2.7 billion in 1957. About 20% of shipments go to the government for defense purposes.

The industry now has a plant expansion program under way that will cost $200 million and raise the total plant investment more than $1 billion.

The domestic telephone operating industry also is optimistic, with expectations that operating revenues will climb $600 million over the 1958 approximation of $7.75 billion, which in turn represented a $650 million gain over 1957. Telephone industry construction expenditures for 1959—which include buildings and outside cable construction—are estimated at $2.825 billion, a gain of $325 million over 1958. About 4,100 independents operate 18% of the telephone business; the Bell System, the rest.

The prospective addition of nearly 3.2 million telephones in the United States in 1959 means a total in service of about 70 million. Direct dialing service for long-distance calls has been a big growth factor.

International telephone and telegraph operations and the domestic telegraph industry also continue to expand.

Railroad Freight Cars: The car-building industry — a large steel and lumber consumer—looks for a slight improvement in 1959 after a production downturn in 1958 that reflected the business slump on the railroads. Only 37,531 freight cars were produced in the first 10 months of 1958 as against 85,974 in that period of 1957. Domestic car builders virtually have been eliminated from the foreign market because of wage differentials.

Paper and Board: Part of an expanding multi-billion-dollar industrial group which includes pulp, paper, board, and allied products, the paper and board manufacturing industry looks to a record-breaking output of 32 million tons in 1959. This would exceed 1958 production by 4% and top by 2% the previous record in 1956.

Usage for paper and board virtually is unlimited, and wood cellulose fibers continue as the predominant raw material in manufacture. Research, however, is opening the way to possible utilization of synthetic fibers, including glass, to provide additional technical qualities as well as wider use for paper and board.

Containers and Packaging: High-level operations are in prospect for 1959 in this constantly expanding industry, which felt but slightly the business slump of the past year.

Folding cartons and glass containers, with annual sales nearing $1 billion each, should equal or better the record output of 1957.

Both metal cans and fiber boxes, whose sales respectively exceed $1 billion annually, also are heading toward new records.

Aluminum foil for packaging likewise is approaching an all-time high, with prospective output of 200 million pounds.

Chemicals: The chemical industry, now spending around $1 billion annually for plant expansion, is charting manufacturers' sales of $24.4 billion in 1959, a 5% increase over 1958 sales of $23.2 billion. Exports are expected to top the 1958 figure of $1.4 billion, and imports to remain even at $300 million.

Substantially all major manufacturing industries now use materials — including plastics and synthetic rubber—from the chemical area. Imports still are a minor factor, but competition from abroad—including that from Soviet Russia—is on the rise.

Textiles: The industry now is in an upturn, but the degree of prosperity will vary in the several segments. Foreign competition is a disturbing factor.

Low prices for products and relatively high prices for raw materials left cotton cloth producers little room for profits in 1958, when production was off about 6% from 1957 and 13% from 1956. As the year ended, increased activity in the economy as a whole gave hopes for betterment in the fabric mills.

The weaving of man-made fibers should experience substantial—but not spectacular—improvement in output, prices, and profits if the general upturn in economic activity is sustained.

The woolen and worsted industry looks for a modest rise in 1958, but the perennial problems of imports and low levels of fabric consumption remain.

Men's and boys' wear markets are strengthening, and a slight increase in prices is in prospect.

Food and Beverages: The outlook for the new year is good, with average prices remaining at the same or a slightly lower level than the high level of 1958, when consumer expenditures and manufacturers' sales continued to rise despite the slide in the economy generally. Good crops and increased number of livestock mean more supplies available for processing and marketing in 1959, and indications for an increase in per capita consumption along with the normal population increase will strengthen the demand. Food and beverage sales are expected to be up 3 to 5%.

A continuing decline in exports is considered likely, due to competition from foreign producers and dollar shortage.

Shoes and Leather: Shoe manufacturers look for a record output of 600 million pairs this year. Production in 1958 was 587 million pairs. Rising material and labor costs will bring slight price increases.

All segments of the leather industry are due to be helped by the anticipated increase in shoe production as well as better prospects for other uses including clothing and gloves.

Shoe imports are expected to increase because of lower prices, with exports continuing to ease off.

Printing and Publishing: The four big lines in this group—commercial printing, newspapers, books, and periodicals—all anticipate a good year.

Commercial printing, ranking as one of the country's largest industries, expects to do a volume of business in excess of $6 billion. Receipts for 1958 approximated $5.6 billion, with some segments reflecting the general business decline and others burgeoning.

Newspapers, looking to a circulation figure of 60 million, expect a 10% gain in advertising revenues.

A like situation prevails in the periodicals field, which sustained a loss of 5-6% in advertising revenues in 1958, compared with 1957. A gain approximately 7% with volume in excess of $1.425 billion is in view.

Book publishers expect another record year, topping the 1958 figure of $1.1 billion. Estimates are for close to $1.25 billion sales, with the domestic market expanding in every direction and exports also on the rise.

Photographic Products: Continued expansion of industrial and personal use of photographic products is expected to bring sales of equipment and supplies to $2.124 billion in 1959, a 7.7% increase over 1958.

Exports also continue to grow, with 1958 sales estimated at $86 million, for a new record.

Scientific and Industrial Instruments and Apparatus: Sales in this area in 1959 are expected to rise 10 to 15% above the previous year's estimate of $3.25 billion, because of continued emphasis on research and development, plus military spending in the guided missile field. Sales in 1958 approximated the 1957 level.

Office Equipment: Typewriter sales may reach a new high, approximating $300 million in 1959, as against an estimated $255 million in the past year. Most of this represents domestic production, but there is a substantial volume coming out of foreign branches of American Manufacturers. In the past six years, the U. S. has switched from the leading exporter of type writers to a net importer. Exports for 1958 are estimated at $15 million and imports, $20 million. Germany is dominant in this import trade.

Motion Pictures: Box office receipts are estimated at $1.2 billion in 1958, and the same level is in prospect for 1959, with higher admission prices. Attendance is not expected to increase greatly.

The sharp reduction in the production of feature films in 1958 is due to carry-over into 1959. Foreign importations are benefiting from this situation.

The foreign market for American films continues strong, and remittances from abroad are running around $215 million annually.

Gross Securities Company Formed in Los Angeles

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Gross Securities Company has been formed with offices at 816 West Fifth Street to engage in a securities business. Officers are Nelson B. Gross, President and Treasurer; Robert Waller, Vice-President; and Robert C. Nolen, Vice-President and Secretary.

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Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Acme Oil Corp., Wichita, Kan.
Feb. 4 (letter of notification) 95,830 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For development of oil and gas properties. **Office**—Orpheum Bldg., Wichita, Kan. **Underwriter**—Lathrop, Herrick & Smith, Inc., Wichita, Kan.

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 985,734 shares of capital stock (par $1), of which 685,734 shares were to be offered for subscription by stockholders at the rate of 1½ new shares for each share held as of Feb. 10, 1959; rights to expire on Feb. 25, 1959. The remaining 300,000 shares were offered publicly. **Price**—$2 per share. **Proceeds**—For additional working capital and new acquisition, etc. **Office** — 30 Verbena Avenue, Floral Park, N. Y. **Underwriters**—For public offering only: Alkow & Co., Inc.; Hardy & Co.; John H. Kaplan & Co.; Levien, Greenwald & Co.; and Schrijver & Co.; all of New York.

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 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 Premier Insurance Co.
Feb. 2 (letter of notification) 9,000 shares of capital stock (par $16) to be offered for subscription by stockholders of record Feb. 4, 1959 at rate of 9/16ths of a share for each share held. **Price**—$33 per share. **Proceeds**—For capital and surplus accounts. **Office** — 15 North Broadway, Rochester, Minn. **Underwriter**—J. M. Dain & Co., Inc., Minneapolis, Minn.

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.

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.

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.

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. (2/19)
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. Statement effective Feb. 11.

Bargain City, U. S. A., Inc.
Dec. 29 filed 5,000,000 shares of class A common stock (no par). **Price**—$3 per share. **Proceeds**—For expansion and acquisition or leasing of new sites. **Office** — 2210 Walnut Street, Philadelphia, Pa. **Underwriter**—None.

Bellechasse Mining Corp. Ltd.
Oct. 29 filed 800,000 shares of common stock (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.

• Blossman Hydratane Gas, Inc. (2/20)
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.

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., New York, N. Y., and Cincinnati, Ohio.

• Canal-Randolph Corp. (2/19-20)
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.

• Carraco Oil Co., Ada, Okla. (2/24-27)
Nov. 10 (letter of notification) 199,733 shares of common stock. **Price**—$1.50 per share. **Proceeds** — For general corporate purposes. **Underwriter** — Berry & Co., New York.

Cemex of Arizona, Inc.
Nov. 17 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Address**—P. O. Box 1849, 3720 E. 32nd Street, Yuma, Ariz. **Underwriter**—L. A. Huey Co., Denver, Colo.

Central Illinois Electric & Gas Co. (2/19)
Jan. 21 filed 145,940 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held as of record 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. (2/13)
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 March 2, 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 3.4202 shares of Combustion Engineering stock for each 10 shares of common

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stock and each share of preferred stock, respectively, of General Nuclear Engineering (of Dunedin, Fla.).

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Commercial Investors Corp.
Nov. 28 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For investment. **Office**—450 So. Main St., Salt Lake City, Utah. **Underwriter**—Earl J. Knudson & Co., Salt Lake City, Utah.

● Connecticut Light & Power Co.
Jan. 16 filed 762,565 shares of common stock (no par) being 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 subscribe up to and including Feb. 19 for shares not subscribed for by stockholders. **Price**—$22.50 per share. **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.

★ Conotorc, Inc.
Feb. 3 (letter of notification) 118,000 shares of common stock (par 14 cents). **Price**—$2 per share. **Proceeds**—To develop patents and inventions and for general corporate purposes. **Office** — 2 Secatog Ave., Port Washington, N. Y. **Underwriter**—None.

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.

★ Consolidated Laundries Corp.
Feb. 5 (letter of notification) 12,500 shares of common stock (par $5) to be offered to employees under an Employers' Stock Purchase Plan. **Price**—To be determined by market value on the New York Stock Exchange (aggregate not to exceed $300,000). **Office**—122 East 42nd Street, New York 17, N. Y. **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.

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 Growth Stock Fund, Inc.
Feb. 9 filed (by amendment) an additional 2,500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Elizabeth, N. J.

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.

★ Diversified Mineral Investments, Inc.
Feb. 3 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital. **Office**—Bonnie Kate Bldg., Elizabethton, Tenn. **Underwriter**—None.

★ Drug Fair Community Drug Co., Inc.
Feb. 10 filed $750,000 of 5½% subordinated sinking fund debentures due March 1, 1974 (with warrants attached to purchase 37,500 shares of $1 par value common stock A). **Price**—At par (in units of $500 each). **Proceeds**—To finance current operations, to open new drug stores and to retire $60,000 of outstanding 8½% debentures. **Office**—Arlington, Va. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

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 up to 11:30 a.m. (EST) 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.

★ Eaton & Howard Balanced Fund, Boston, Mass.
Feb. 9 filed (by amendment) an additional 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

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 being offered for subscription by common stockholders at the rate of one new share for each four shares held as of Feb. 10 (with an oversubscription privilege); rights to expire March 2. **Price**—$6.12½ per share. **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.

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

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NEW ISSUE CALENDAR

February 13 (Friday)
Century Food Markets Co. .... Common
(Offering to stockholders—underwritten by Janney, Dulles & Battles, Inc.) $590,560

February 16 (Monday)
Harman-Kardon, Inc. .... Common
(Milton D. Blauner & Co., Inc.) $600,000
LEL, Inc. .... Common
(Bertner Bros.) $150,000
Military Publishing Institute, Inc. .... Common
(C. H. Abraham & Co., Inc.) $250,000
National Theatres, Inc. .... Debentures
(Cruttenden, Podesta & Co., Cantor, Fitzgerald & Co., Inc., and Westheimer & Co.) $20,000,000
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
Western Gas Service Co. .... Common
(Underwood, Neuhaus & Co., Inc.) 104,500 shares

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)
Investors Research Fund, Inc. .... Common
(Bache & Co.) $5,891,280
Japan (Government of) .... Bonds
(The First Boston Corp.) $30,000,000
Southern Pacific Co. .... Equip. Trust Ctfs.
(Bids noon CST) $7,125,000
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
Bargain Centers, Inc. .... Debentures
(Securities Trading Corp.) $300,000
Canal-Randolph Corp. .... Common
(New York Hanseatic Corp. and Rea Brothers Ltd.) 816,721 shs
Central Illinois Electric & Gas Co. .... Common
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) 145,940 shares

February 20 (Friday)
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

February 24 (Tuesday)
Calvert Drilling, Inc. .... Common
(Offering to stockholders—underwritten by W. E. Hutton & Co.) 100,012 shares
Carraco Oil Co. .... Common
(Berry & Co.) $299,600
Chicago, Rock Island & Pacific RR. .... Equip. Tr. Ctfs.
(Bids noon CST) $5,130,000
Duquesne Light Co. .... Bonds
(Bids 11:30 a.m. EST) $10,000,000
Glass-Tite Industries, Inc. .... Common
(Stanley Heller & Co.) $330,000
TV Junior Publications, Inc. .... Com. & Warrants
(Charles Plohn & Co.) $375,000

February 25 (Wednesday)
Illinois Bell Telephone Co. .... Bonds
(Bids 11 a.m. EST) $50,000,000
Sawhill Tubular Products, Inc. .... Common
(McDonald & Co. and Kidder, Peabody & Co.) 225,000 shares
Talcott (James), Inc. .... Common
(F. Eberstadt & Co. and White, Weld & Co.) 150,000 shares
Thomas & Betts Co. .... Common
(Smith, Barney & Co.) 300,000 shares

February 26 (Thursday)
American Natural Gas Co. .... Common
(Offering to stockholders—bids 11 a.m. EST) 486,325 shares
Jamaica (Government of) .... Bonds
(Kuhn, Loeb & Co.) $12,500,000

February 27 (Friday)
Piedmont Natural Gas Co. .... Common
(Offering to stockholders—underwritten by White, Weld & Co.) 56,301 shares

March 2 (Monday)
Miami Window Corp. .... Debentures
(Cruttenden, Podesta & Co. and Clayton Securities Corp.) $2,500,000
Standard Security Life Insurance Co. of N. Y. .... Com.
(Ira Haupt & Co. and Savard & Hart) $1,500,000

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 10 (Tuesday)
Northern Indiana Public Service Co. .... Bonds
(Bids to be invited) $25,000,000

March 16 (Monday)
Standard Sign & Signal Co. .... Common
(Sano & Co.) $300,000

March 30 (Monday)
Ohio Power Co. .... Bonds
(Bids 11 a.m. EST) $25,000,000

March 31 (Tuesday)
California Electric Power Co. .... Common
(Bids 9 a.m. PST) 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

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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., has withdrawn as underwriter.

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. (2/24)**
Jan. 30 filed 110,000 shares of common stock (par 10 cents). **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.

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.

★ **Gridoil Freehold Leases Ltd.**
Feb. 5 filed 563,600 shares of common stock to be offered in exchange for $2,818,000 of 5½% convertible sinking fund redeemable notes, series A, due July 1, 1976, on the basis of 200 shares for each $1,000 note. **Office**—330 Ninth Avenue, West, Calgary, Canada.

★ **Growth Fund of America, Inc.**
Feb. 4 filed 250,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For investment. **Office** — 1325 Connecticut Avenue, Washington, D. C. **Investment Advisor** — Investment Advisory Service, Washington, D. C. **Underwriter**—Investment Management Associates, Inc., Washington, D. C.

● **Harman-Kardon, Inc. (2/16-20)**
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.

Heartland Development Corp.
Oct. 23 (letter of notification) 22,820 shares of non-voting convertible preference stock (par $12) to be offered for subscription by stockholders on the basis of one share of convertible preference stock for each 10 shares of common stock held on or about Nov. 1, 1958. Stockholders will have 45 days in which to exercise the rights. **Price** — At par. **Proceeds** — To repay debts, acquisition of investments, and for general purposes. **Address**—P. O. Box-348, Albany, N. Y. **Underwriter**—None.

Heliogen Products, Inc.
Oct. 22 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office** — 35-10 Astoria Blvd., L. I. C. 3, N. Y. **Underwriter**—Albion Securities Co., Suite 1512, 11 Broadway, New York 4, N. Y.

Highway Trailer Industries, Inc.
Nov. 24 filed 473,000 outstanding shares of common stock (par 25 cents). **Price**—At prices generally prevailing on the American Stock Exchange. **Proceeds** — To selling stockholders. **Office**—250 Park Avenue, N. Y. **Underwriter**—None.

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.

● **Holiday Inns of America, Inc.**
Dec. 30 filed 39,765 shares of common stock being offered for subscription by common stockholders (other than the Board Chairman and President and their families) of record Jan. 27 at the rate of one new share for each four shares held; rights to expire on Feb. 18. **Price**—$16 per share. **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. 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.

● **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 up to 11 a.m. (EST) on Feb. 25, at Room 2315, 195 Broadway, New York, N. Y.

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 Co. of America**
Feb. 4 filed (by amendment) an additional 1,000,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Los Angeles, Calif.

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. (2/18)**
Jan. 9 filed 490,940 shares of common stock. **Price**—$12 per share. **Proceeds**—For investment. **Office**—922 Laguna St., Santa Barbara, Calif. **Investment Advisor**—Investors Research Co., Santa Barbara, Calif. **Underwriter**—Bache & Co., New York.

Israel (The State of)
Jan. 8 filed $300,000,000 of second development bonds, part to consist of 15-year 4% dollar coupon bonds (to be issued in five series maturing serially from March 1, 1974 to March 1, 1978) and 10-year dollar savings bonds (each due 10 years from first day of the month in which issued). **Price**—100% of principal amount. **Proceeds**—For improvements, etc. **Underwriter**—Development Corp. for Israel, 215 Fourth Ave., New York City. **Offering**—Expected early in March, 1959.

Itemco Inc.
Nov. 28 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire machinery and equipment and additional space for test laboratories; and for working capital. **Office**—4 Manhasset Ave., Port Washington, L. I., N. Y. **Underwriter** — B. Fennekohl & Co., 205 East 85th St., New York, N. Y.

● **Jamaica (Government of) (2/26)**
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.

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**—To be made privately.

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.

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 were issued 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 on or before May 1, 1959; 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.

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.

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.

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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. (2/16)**
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.

★ **Minnesota Fund, Inc., Minneapolis, Minn.**
Feb. 4 filed (by amendment) an additional 200,000 shares of common stock (par one cent). **Price**—At market. **Proceeds**—For investment.

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.

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 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. (2/16-17)**
Dec. 30 filed $20,000,000 5½% sinking fund subordinated debentures due March 1, 1974, stock purchase warrants for 454,545 shares of common stock (par $1) and 485,550 warrants to purchase debentures and stock purchase warrants. The debentures and stock purchase warrants are to be offered in exchange for National Telefilm Associates, Inc. common stock at the rate of $11 of debentures and one warrant to purchase one-quarter of a share of National Theatres, Inc. stock for each NTA share. **Dealer-Managers** — Cruttenden, Podesta & Co., Cantor, Fitzgerald & Co., Inc., and Westheimer & Co.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For organizational expenses and first three months' operational expenses. **Office**—1250 Wilshire Blvd., Los Angeles 17, Calif. **Underwriter**—Waldron & Co., San Francisco 4, Calif.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

New Jersey Investing Fund, Inc., New York
Dec. 9 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Investment Adviser and Distributor**—Spear, Leeds & Kellogg, New York.

★ **Northern Indiana Public Service Co. (3/10)**
Feb. 10 filed $25,000,000 of first mortgage bonds, series J, due Jan. 15, 1989. **Proceeds** — To be used for gross additions to utility properties of the company including prepayment of bank loans incurred for construction program. **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 on March 10.

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.

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.

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.

★ **Perfecting Service Co., Charlotte, N. C.**
Feb. 2 (letter of notification) 30,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For accounts receivable and inventories. **Office** — 332 Atando Ave., Charlotte, N. C. **Underwriter**—None.

● **Piedmont Natural Gas Co., Inc. (2/27)**
Feb. 4 filed 56,301 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held about Feb. 27, 1959 (with an oversubscription privilege); rights to expire on or about March 16. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—White, Weld & Co., New York.

★ **Piggly Wiggly Alabama Distributing Co., Inc.**
Feb. 4 (letter of notification) 3,000 shares of 6% non-cumulative preferred stock. **Price** — At par ($100 per shares). **Proceeds** — For equipment, inventories and working capital. **Office**—2524 First Ave., West, Birmingham, Ala. **Underwriter**—None.

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.

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.

★ **Price (T. Rowe) Stock Fund, Inc.**
Feb. 3 filed (by amendment) an additional 50,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Baltimore, Md.

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.

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.**
Jan. 16 filed 280,000 shares of common stock (no par) being 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 are offered to employees. **Price**—$37.50 per share. **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.
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. Statement withdrawn.

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 (par $1) which were issued in exchange for all of the 45,000 out-

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standing 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. Statement effective Jan. 23.

Sawhill Tubular Products, Inc. (2/25)
Jan. 30 filed 225,000 outstanding shares of common stock (no par value). **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
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.

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.

★ Spacetronics, Inc.
Jan. 29 (letter of notification) 23,750 shares of class A voting common stock (par 10 cents) and 191,250 shares of class B non-voting common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For research and development and other working capital. **Office** — 1109 16th Street, N. W., Washington 6, D. C. **Underwriter**—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed $2,000,000 of 6% 10-year convertible debentures (subordinated), due Jan. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—$750,000 to pay AMF Pinspotters, Inc. for bowling alley beds; $350,000 to pay for other installations, fixtures and equipment; $85,000 to expand two present establishments by increasing the number of alley beds by eight at Yorktown Heights and by six at Wilton Manor Lanes, Fort Lauderdale; $300,000 for deposits on leaseholds, telephones and utilities; and $395,000 for working capital. **Underwriter**—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed 461,950 shares of common stock (par one cent). **Price**—At the market (but in no event less than $6 per share). **Proceeds**—To selling stockholders. **Office**—33 Great Neck Rd., Great Neck, N. Y. **Underwriter**—None.

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 Security Life Insurance Co. of New York (3/2-6)
Feb. 9 filed 200,000 shares of common stock (par $2). **Price**—$7.50 per share. **Proceeds** — To increase capital and surplus. **Office**—221 West 57th St., New York, N. Y. **Underwriters**—Ira Haupt & Co. and Savard & Hart, both of New York.

• Standard Sign & Signal Co. (3/16)
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.

★ State Bond & Mortgage Co., New Ulm, Minn.
Feb. 6 filed (by amendment) an additional $1,000,000 of Accumulative Certificates Series 108, $10,000,000 of Accumulative Certificates Series 115, and $10,000,000 of Accumulative Certificates Series 120. **Proceeds**—For investment.

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.

★ Stein Roe & Farnham Stock Fund, Inc.
Feb. 4 filed (by amendment) an additional 494,000 shares of caiptal stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Chicago, Ill.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $1 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

★ Surveillance Fund, 1959, Ltd.
Feb. 6 filed $300,000 of participation in capital as Limited Partnership Interests. **Proceeds**—For acquisition and exploration of oil and/or gas properties. **Office**—500 Mid-America Bank Building, Oklahoma City, Okla. **Underwriter**—None.

• Talcott (James), Inc. (2/25)
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.

★ Texas Instruments, Inc., Dallas, Texas
Feb. 11 filed 691,851 shares of common stock (par $1) and 737,974 shares of 4% cumulative preferred stock, series 1959 (25 par—convertible on or prior to May 1, 1969), to be offered in exchange for common stock of Metals & Controls Corp.

★ Thomas & Betts Co. (2/25)
Feb. 5 filed 300,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Business** — Manufactures a broad line electrical raceway accessories and conductor connectors of basic use in virtually all phases of the electrical industry. **Underwriter**—Smith, Barney & Co., New York.

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. 8 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 reduce bank loans and for working capital. **Underwriter**—Blyth & Co., Inc., New York, and San Francisco.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United 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.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

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.

★ Walnut Grove Products Co., Inc.
Feb. 9 filed $500,000 of 6% sinking fund debentures, series B, due 1969. **Price**—100% of principal amount. **Proceeds**—For capital improvements. **Office**—Atlantic, Iowa. **Underwriter**—The First Trust Co. of Lincoln, Neb.

• Western Gas Service Co. (2/17-18)
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.

Wyoming Corp.
Nov. 17 filed 1,449,307 shares of common stock. Of these shares 1,199,307 are subject to partially completed subscriptions at $2, $3.33 and $4 per share; and the additional 250,000 shares are to be offered initially to shareholders of record Nov. 1, 1958, in the ratio of one new share for each 2.33 shares held on that date. **Price**—$4 per share. **Proceeds**—$300,000 will be used for payments on contract to purchase shares of International Fidelity Insurance Co.; $325,000 for capitalization of a fire insurance company; $500,000 for capitalization of a title insurance company; $500,000 for additional capital contribution to Great Plains Development Co.; and $300,000 as an additional capital contribution to Great Plains Mortgage Co. **Office**—319 E. "A" St., Casper, Wyo. **Underwriter**—None.

Prospective Offerings

Alabama Power Co. (4/30)
Dec. 10 it was announced that the company plans the issue and sale of $20,000,000 of 30-year first mortgage bonds. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Eastman Dillon, Union Securities & Co.; Equitable Securities Corp. and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Registration**—Planned for April 3. **Bids**—Expected to be received on April 30.

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.

• 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. 22, 1959, 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.

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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 up to 9 a.m. (PST) 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.

★ El Paso Electric Co.
Feb. 9 it was reported that the company is planning the sale of $3,500,000 of first mortgage bonds due 1989. Proceeds—For construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Merrill Lynch, Pierce, Fenner & Smith, Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co.; White, Weld & Co. and Shields & Co. (jointly) Equitable Securities Corp. and R. W. Pressprich & Co. (jointly). Bids—Expected to be received some time in May.

★ El Paso Electric Co.
Feb. 9 it was reported that the company plans the sale of 20,000 shares of preferred stock (par $100). Proceeds—For construction program. Underwriter—To be determined by competitive bidding. Probable bidders; Eastman Dillon, Union Securities & Co.; Salomon Bros. & Hutzler & Co.; Kidder, Peabody & Co., and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith. Bids—Expected to be received some time in May.

★ El Paso Electric Co.
Feb. 9 it was reported that the company is also planning an offering of common stock to common stockholders on the basis of about one new share for each 25 shares held. Proceeds—For construction program. Dealer-Manager—Stone & Webster Securities Corp., New York.

★ Florida Power Corp.
Feb. 4, W. J. Clapp, President, announced that the corporation is planning to sell additional shares of common stock on the basis of one new share for each 12 shares held. Proceeds—For construction expenditures. Underwriters — Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith Inc. Offering—Expected in June.

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. Price—$10.50 per share. Underwriters—A. C. Allyn & Co., Inc., and Walston & Co., Inc. Offering—Now being made.

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.

● Miami Window Corp. (3/2-6)
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.

Mississippi Power Co. (6/25)
Dec. 10 it was announced that this company plans to issue and sell $5,000,000 of 30-year first mortgage bonds Proceeds—For construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). Registration—Planned for May 29. Bids—Expected to be received on June 25.

Monongahela Power Co. (3/31)
Dec. 29 it was reported that the company plans the sale of about $16,000,000 of first mortgage bonds. Proceeds—For construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp.; W. C. Langley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). Bids—Expected to be received on March 31.

National State Bank, Newark, N. J.
Jan. 27 stockholders were offered 80,000 shares of common stock on the basis of one new share for each six shares then held as of Jan. 23; rights to expire on Feb. 16. Price—$50 per share. Proceeds—To increase capital and surplus. Underwriter—Clark, Dodge & Co., New York.

North American Equitable Life Assurance Co.
Dec. 1 it was announced that the company plans an offering of 950,000 shares of capital stock. Price — $10 per share. Proceeds—To increase capital and surplus. Underwriter—John M. Tait & Associates, Cincinnati, Ohio.

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 States Power Co. (Minn.)
Dec. 3, Allen S. King, President, announced that the company plans about the middle of 1959 to put out a common stock issue and possibly a $15,000,000 preferred stock issue if there is a satisfactory market. Proceeds—To repay bank loans and for construction program. Underwriter — To be determined by competitive bidding. Probable bidders (1) For preferred stock: Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Harriman Ripley & Co., Inc. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. (2) For common stock: Lehman Brothers and Riter & Co. (jointly); The First Boston Corp., Blyth & Co., Inc. and Kuhn, Loeb & Co. (jointly); White, Weld & Co. and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith.

★ Ohio Power Co. (3/30)
Feb. 9 it was reported that the company plans the issuance and sale of $25,000,000 first mortgage bonds due 1989. Proceeds — 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 Inc. (jointly); Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc., and Stone & Webster Securities Corp. (jointly); Blyth & Co., Inc. Bids—Expected to be received up to 11 a.m. (EST) on March 30.

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.

★ Puget Sound Power & Light Co.
Feb. 6 it was announced company plans to issue and sell $10,000,000 preferred stock this Spring. Proceeds—For construction program. Underwriter — May be Merrill Lynch, Pierce, Fenner & Smith, Inc., New York.

★ Ritter Finance Co.
Feb. 9 it was reported that the company plans early registration of an undetermined amount of stock, probably to take the form of a convertible preferred stock issue. Underwriter—Stroud & Co., Inc., Philadelphia, Pa. Registration—Planned for this month. Offering—Expected some time in March.

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.

Texas Eastern Transmission Corp.
Dec. 11 it was announced by W. Hargrove, Vice-President, that the corporation plans to raise about $90,000,-

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000 through the sale of new securities (tentative plans call for the sale of bonds, debentures and preferred stock). **Proceeds**—To refund $30,000,000 of outstanding bank loans, and the balance will be used for capital expenditures. **Underwriter**—Dillon, Read & Co. Inc., New York.

Texas Gas Transmission Co.
Jan. 13 it was reported that the company has filed an application with the Federal Power Commission covering $40,000,000 of additional financing. It is believed that $10,000,000 of this new capital will be raised via a common stock offering and the rest will consist of first mortgage bonds. **Proceeds**—For expansion program. **Underwriter**—Dillon, Read & Co., Inc., New York. **Offering**—Not expected for some time.

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.

Venezuela (Government of)
July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

Virginia Electric & Power Co. (6/2)
Jan. 5 it was reported that the company plans the sale of from $20,000,000 to $25,000,000 of additional common stock. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith; Stone & Webster Securities Corp. **Bids**—Expected to be received on June 2.

West Penn Power Co. (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

However disappointed the investment world might have been by the high rate of attrition attending the U. S. Treasury's latest refinancing operation, the government and corporate markets appeared to have discounted the situation pretty fully in advance.

Certainly the Treasury market has been behaving satisfactorily since the start of the week and the same holds true of gilt-edge corporate obligations. The overall situation, especially as far as the corporate list is concerned has been eased considerably by reason of the fact that new emissions have been extremely light.

This week, in fact, was marked by a virtual hiatus in the debt issue market with Reynolds Metals Co.'s offering of 550,000 shares of convertible preferred stock making up the period's choicest opportunity for investors.

But, people who are in a position to judge the situation are satisfied that the dearth of offerings is not a consequence of lack of investment funds. On the contrary they feel that there is an abundance of money seeking to go to work in new securities.

There is this big "if," however, —that such new offerings be made attractive to the prospective buyer as regards price and yield. Feeling is that in spite of all the hue and cry about rising cost of financing, the investor with funds is rather comfortably ensconced in the driver's seat just now.

The Federal Reserve Board, if it is to help ward off new inflation as the Administration urges, cannot very well afford to swell the volume of credit available and thus force money rates down at this time.

Reynolds Preferred

Reynolds Metals Co. found the track clear and fast when bankers brought out its 550,000 shares of convertible second preferred stock carrying a 4.5% dividend rate.

Offered at $100, the shares which are convertible into common, subject to the company's right of redemption at $75, was reported in wide demand and moving out quickly.

The big aluminum maker is raising the funds involved in order to pay the cost of acquiring a 49% interest in the British Aluminum Co. Ltd. largely through purchases in the open market to block entry into the English firm by Aluminum Co. of America which had made a bid for its authorized but unissued stock.

Japanese Issue on Tap

The Japanese Government is slated to come into the New York money market next week for the first time in some years when it offers a total of $30 million of its bonds for purchase by American investors.

The bonds are being offered in four series maturing in three-four-five and 15-years. The largest block, $15 million carries the longest maturity and a 5½% coupon rate against 4½% on the other three.

Proceeds will be added to the dollar holdings of the government's foreign exchange pool.

The Week's Roster

The only other substantial new debt issue up for bids next week is Public Service Co. of Indiana's $25 million of bonds on which tenders will be opened Tuesday.

On Wednesday, when the Japanese Government issue is due out, investors also will have an opportunity to look over 200,000 shares of common stock of United Controls Corp., of Seattle, Wash. On the same day, Southern Pacific has $7,125,000 of equipment trust certificates slated for bidding.

Thursday brings opening of books on Central Illinois Electric & Gas Co.'s "rights" offering of 145,940 shares of common to its holders.

A. V. Bianco Opens

ROSLYN HEIGHTS, N. Y.—Albert V. Bianco is engaging in a securities business from offices at 390 Willis Avenue.

B. O. Cooper Opens

(Special to THE FINANCIAL CHRONICLE)

BELLEVILLE, Ill. — Benjamin O. Cooper is conducting a securities business from offices at 3605 West Main Street. Frank R. Choura is associated with him.

Colby Thompson Opens

(Special to THE FINANCIAL CHRONICLE)

LA JOLLA, Calif. — Colby Thompson is conducting a securities business from offices at 7825 Ivanhoe.

Joins Copley Staff

(Special to THE FINANCIAL CHRONICLE)

COLORADO, SPRINGS, Colo.— L. D. Anderson is now affiliated with Copley and Company, Independence Building.

Merrill Lynch Branch

MIAMI, Fla. — Merrill Lynch, Pierce, Fenner & Smith Incorporated has opened a new branch office at 100 Biscayne Boulevard under the management of Matthew J. Smith.

But Don't Forget, Mr. President!

Q.—Mr. President, what is your answer to critics who say the national economy cannot expand at a rate of 5% a year unless the Federal Government makes a bigger investment annually in public facilities of all kinds?

Pres. Eisenhower

A.—Well, I don't want to be a critic myself, but I do not believe that that question is really the one we ought to be asking because it is not the Federal Government that makes prosperity in this country. After all, we are talking within the reasonable future of a GNP (Gross National Product) of $500,000,000,000 and now we're talking about spending for all purposes $77,000,000,000, or a figure in that level.

It is quite clear that the decisions of 175,000,000 people and the way they make those decisions based upon their own need is far more important than what the Federal Government does.

The Federal Government needs to lead, to point the way to do the things, as Lincoln said, that people cannot do for themselves, such as providing for the national security. That kind of problem they have to take initial and sole responsibility for.

But when it comes to the advancing and expanding our economy, that is by and large the business of Americans and the Federal Government can help but our expenditures will never be—our money, our Federal money—will never be spent so intelligently and in so useful fashion for the economy as will the expenditures that would be made by the private citizen, the taxpayer if he hadn't had so much of it funneled off into the Federal Government.—From the question and answer session with President Eisenhower at the National Press Club last week.

We wish we could say that the President seemed always to bear these excellent ideas in mind!

7th Annual Institute of Investment Banking Announced

WASHINGTON, D. C.—Announcement folders on the 7th annual session of the Institute of Investment Banking, scheduled for the week of March 22-27, in Philadelphia, are now being mailed to member organizations and to prospective registrants, it was announced by William D. Kerr, of Bacon, Whipple and Co., Chicago, President, Investment Bankers Association of America.

Sponsored by the Association in cooperation with the Wharton School of Finance and Commerce, University of Pennsylvania, the Institute offers an executive development program for officers, partners and other seasoned personnel of IBA member organizations.

Registrants attend the Institute one week in the spring for three years and upon completion of the program receive a Certificate of Merit in recognition of their specialized training in the investment banking business. It is expected that about 60 certificates will be awarded at the graduation exercises Friday, March 27, the concluding day.

Several features added to the Institute program in 1958 are being continued according to Robert O. Shepard, President, Prescott, Shepard and Co., Inc., Chairman, of the IBA Education Committee:

Five evening Forums open to all registrants: investment companies; public relations; estate planning, current legal regulatory and legislative problems; corporate underwriting and syndicating.

A case-study problem on estate planning.

Conducted tours of Philadelphia and the University Campus.

Three cash prizes aggregating 1,000 will be awarded to the writers of the winning Institute essays, one prize for each of the three classes. In addition, the winning writers will be invited to attend the Annual Convention of the Association where they will be presented to the delegates and their manuscripts will be published for distribution.

Institute eligibility requirements have been altered into two respects:

(1) Effective with the 1959 Institute, to qualify for enrollment in the first year class, the applicant must have had at least three years of experience in the securities business or the applicant must be at least 30 years of age.

(2) Effective with the 1958 Insitute, registrants in the first and second year classes are required to submit an essay of 2,000 words on an Institute topic if they wish to continue in the Institute program. Registrants in the first and second year classes at the 1958 Institute who did not submit an essay by the deadline date (June 15, 1958) are not eligible to enroll at the 1959 Institute. Such 1958 registrants who wish to re-enroll in the Institute for a session subsequent to 1959 may write to the Educational Director, IBA Washington office, for information on meeting re-enrollment requirements.

In view of the preferred list applicants carried over from last year, and the advance interest shown in the 1959 session, Mr. Shepard noted, applications may again exceed the available facilities this year.

Official application forms are being mailed only to the main office of member organizations. Applications for branch office personnel should be channeled through the member main office.

A. C. Allyn Co. Opens Cedar Rapids Branch

CEDAR RAPIDS, Iowa — A. C. Allyn & Co. has opened a branch office in the Merchants National Bank Building, with Glenn Ravenscroft in charge. Mr. Ravenscroft formerly conducted his own investment business in Cedar Rapids for many years.

Newman Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.— Maurice S. Farabee has been added to the staff of Newman and Co., Mining Exchange Building.

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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. 15	§83.5	*80.8	74.6	53.5
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 15	§2,363,000	*2,288,000	2,111,000	1,445,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 30	7,107,135	7,193,535	7,122,335	6,842,385
Crude runs to stills—daily average (bbls.)	Jan. 30	¶8,113,000	8,311,000	8,256,000	7,548,000
Gasoline output (bbls.)	Jan. 30	27,514,000	28,101,000	29,714,000	27,040,000
Kerosene output (bbls.)	Jan. 30	2,957,000	2,465,000	3,080,000	2,486,000
Distillate fuel oil output (bbls.)	Jan. 30	14,972,000	15,009,000	14,593,000	12,543,000
Residual fuel oil output (bbls.)	Jan. 30	7,600,000	7,779,000	7,056,000	7,497,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 30	197,511,000	*192,883,000	186,462,000	204,559,000
Kerosene (bbls.) at	Jan. 30	20,910,000	21,388,000	26,057,000	23,179,000
Distillate fuel oil (bbls.) at	Jan. 30	96,745,000	100,402,000	126,056,000	123,121,000
Residual fuel oil (bbls.) at	Jan. 30	57,867,000	59,924,000	60,525,000	57,502,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 31	582,636	*555,547	467,699	550,532
Revenue freight received from connections (no. of cars)	Jan. 31	553,692	524,800	435,784	535,374
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 5	$284,240,000	$418,223,000	$259,989,000	$322,937,000
Private construction	Feb. 5	154,541,000	231,413,000	85,389,000	182,733,000
Public construction	Feb. 5	129,699,000	186,810,000	174,600,000	140,204,000
State and municipal	Feb. 5	107,877,000	125,952,000	144,106,000	111,388,000
Federal	Feb. 5	21,822,000	60,858,000	30,494,000	28,816,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 31	8,550,000	8,005,000	7,015,000	8,120,000
Pennsylvania anthracite (tons)	Jan. 31	521,000	442,000	447,000	461,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 31	106	105	104	98
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 7	13,292,000	13,151,000	13,554,000	12,289,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 5	271	322	321	342
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 3	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Feb. 3	$66.41	$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Feb. 3	$43.83	$42.50	$40.17	$37.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 4	29.600c	28.675c	28.600c	24.400c
Export refinery at	Feb. 4	28.850c	29.025c	26.800c	20.625c
Lead (New York) at	Feb. 4	12.000c	12.000c	13.000c	13.000c
Lead (St. Louis) at	Feb. 4	11.800c	11.800c	12.800c	12.800c
‡Zinc (delivered) at	Feb. 4	12.000c	12.000c	12.000c	10.500c
Zinc (East St. Louis) at	Feb. 4	11.500c	11.500c	11.500c	10.000c
Aluminum (primary pig. 99%) at	Feb. 4	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Feb. 4	101.500c	100.125c	98.000c	92.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 10	86.12	85.54	86.02	94.32
Average corporate	Feb. 10	89.78	89.64	90.20	95.92
Aaa	Feb. 10	93.97	93.67	94.71	102.80
Aa	Feb. 10	92.20	92.20	92.79	99.36
A	Feb. 10	89.78	89.64	89.78	96.07
Baa	Feb. 10	83.53	83.53	84.17	86.65
Railroad Group	Feb. 10	88.40	88.13	88.40	91.77
Public Utilities Group	Feb. 10	89.23	89.37	90.06	98.09
Industrials Group	Feb. 10	91.62	91.62	92.20	98.25
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 10	3.82	3.88	3.83	2.98
Average corporate	Feb. 10	4.43	4.44	4.40	4.01
Aaa	Feb. 10	4.14	4.16	4.09	3.58
Aa	Feb. 10	4.26	4.26	4.22	3.79
A	Feb. 10	4.43	4.44	4.43	4.00
Baa	Feb. 10	4.90	4.90	4.85	4.66
Railroad Group	Feb. 10	4.53	4.55	4.53	4.29
Public Utilities Group	Feb. 10	4.47	4.46	4.41	3.87
Industrials Group	Feb. 10	4.30	4.30	4.26	3.86
MOODY'S COMMODITY INDEX	Feb. 10	385.4	384.3	387.0	396.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 31	293,331	289,474	††365,380	241,750
Production (tons)	Jan. 31	293,826	292,534	††320,797	244,049
Percentage of activity	Jan. 31	92	91	††55	82
Unfilled orders (tons) at end of period	Jan. 31	375,635	378,182	††405,256	340,841
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 6	110.10	111.41	110.36	108.63
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 17	3,030,260	3,033,910	2,785,000	1,628,660
Short sales	Jan. 17	565,090	485,450	473,130	394,750
Other sales	Jan. 17	2,563,620	2,695,430	2,195,750	1,349,890
Total sales	Jan. 17	3,128,710	3,180,880	2,668,880	1,744,640
Other transactions initiated on the floor—					
Total purchases	Jan. 17	491,330	549,150	562,100	393,670
Short sales	Jan. 17	56,700	43,000	40,400	78,300
Other sales	Jan. 17	526,890	538,910	500,160	320,170
Total sales	Jan. 17	583,590	581,910	540,560	398,470
Other transactions initiated off the floor—					
Total purchases	Jan. 17	993,710	893,850	902,500	659,935
Short sales	Jan. 17	184,650	137,740	191,780	278,620
Other sales	Jan. 17	1,032,533	1,029,020	915,514	471,415
Total sales	Jan. 17	1,217,219	1,166,760	1,107,294	750,035
Total round-lot transactions for account of members—					
Total purchases	Jan. 17	4,515,300	4,476,910	4,249,600	2,682,265
Short sales	Jan. 17	806,440	666,190	705,310	751,670
Other sales	Jan. 17	4,123,079	4,263,360	3,611,424	2,141,475
Total sales	Jan. 17	4,929,519	4,929,550	4,316,734	2,893,145
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. 17	2,471,409	2,456,705	1,832,249	1,388,699
Dollar value	Jan. 17	$124,660,797	$131,390,700	$107,754,083	$59,718,097
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 17	2,046,354	1,965,142	1,821,340	948,903
Customers' short sales	Jan. 17	6,905	8,707	9,354	35,357
Customers' other sales	Jan. 17	2,039,949	1,956,435	1,811,986	913,546
Dollar value	Jan. 17	$102,410,496	$101,409,733	$93,735,024	$40,765,537
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 17	492,000	494,960	596,790	195,840
Short sales	Jan. 17	------	------	------	------
Other sales	Jan. 17	492,000	494,960	596,790	195,840
Round-lot purchases by dealers—					
Number of shares	Jan. 17	914,450	936,740	618,110	676,810
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. 17	895,990	783,230	871,810	1,291,120
Other sales	Jan. 17	21,512,010	21,003,020	19,203,650	11,358,970
Total sales	Jan. 17	22,408,000	21,786,250	19,675,460	12,650,090
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 3	119.2	119.5	119.3	118.6
Farm products	Feb. 3	90.7	*91.9	91.6	94.2
Processed foods	Feb. 3	108.5	109.0	108.4	108.4
Meats	Feb. 3	102.3	102.8	102.1	99.1
All commodities other than farm and foods	Feb. 3	127.3	127.4	127.3	125.8

*Revised figure. ¶Includes 944,000 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. ††Eleven days ended Dec. 31, 1958.

	Latest Month	Previous Month	Year Ago
AMERICAN ZINC INSTITUTE, INC.—Month of December:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	75,503	65,174	86,270
Shipments (tons of 2,000 pounds)	77,010	83,606	72,123
Stocks at end of period (tons)	190,237	191,744	166,660
COTTON GINNING (DEPT. OF COMMERCE):			
To Jan. 16 (running bales)	11,342,932	------	10,629,952
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of December:			
Cotton Seed—			
Received at mills (tons)	541,659	1,112,360	925,266
Crushed (tons)	562,876	598,734	542,035
Stocks (tons) Dec. 31	1,929,864	1,951,081	1,616,446
Crude Oil—			
Stocks (pounds) Dec. 31	168,401,000	163,368,000	124,341,000
Produced (pounds)	189,981,000	205,160,000	180,635,000
Shipped (pounds)	161,294,000	152,982,000	144,856,000
Refined Oil—			
Stock (pounds) Dec. 31	184,117,000	130,537,000	132,316,000
Produced (pounds)	150,155,000	142,372,000	131,698,000
Consumption (pounds)	106,697,000	119,590,000	107,956,000
Cake and Meal—			
Stocks (tons) Dec. 31	78,464	106,724	246,341
Produced (tons)	267,204	283,913	246,686
Shipped (tons)	295,464	293,294	261,923
Hulls—			
Stocks (tons) Dec. 31	112,443	121,533	109,344
Produced (tons)	132,022	137,882	120,111
Shipped (tons)	141,112	138,026	107,015
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of December:			
Contracts closed (tonnage)—estimated	196,510	242,635	140,706
Shipments (tonnage)—estimated	266,600	271,088	320,210
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49 = 100—Month of Dec.:			
Seasonally adjusted	142	141	135
Unadjusted	146	144	134
METAL PRICES (E. & M. J. QUOTATIONS)—January:			
Copper—			
Domestic refinery (per pound)	28.635c	28.583c	25.114c
Export refinery (per pound)	27.927c	27.041c	21.253c
††London, prompt (per long ton)	£230.101	£220.994	£171.369
††Three months, London (per long ton)	£227.292	£220.732	£174.023
Lead—			
Common, New York (per pound)	12.667c	13.000c	13.000c
Common, East St. Louis (per pound)	12.467c	12.800c	12.800c
††London, prompt (per long ton)	£71.851	£72.202	£72.168
††Three months, London (per long ton)	£72.164	£72.327	£72.545
Zinc (per pound)—East St. Louis	11.500c	11.500c	10.000c
§§Zinc, prime Western, delivered (per pound)	12.000c	12.000c	10.500c
††Zinc, London, prompt (per long ton)	£74.884	£74.342	£62.568
††Zinc, London, three months (per long ton)	£72.932	£71.253	£62.179
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.206c	89.935c	89.449c
Silver, London (per ounce)	76.250d	76.167d	76.847d
Sterling Exchange (check)	$2.80647	$2.80380	$2.81322
Tin, New York Straits	99.345c	98.976c	92.692c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$218.000	$220.182	$220.692
¶Antimony, New York, boxed	32.590c	32.590c	36.590c
Antimony (per pound), bulk Laredo	29.000c	29.000c	33.000c
Antimony (per pound), boxed Laredo	29.500c	29.500c	33.500c
Platinum, refined (per ounce)	$52.000	$52.000	$77.000
†Cadmium, refined (per pound)	$1.45000	$1.45000	$1.55000
‡Cadmium (per pound)	$1.45000	$1.45000	$1.55000
§Cadmium (per pound)	$1.45000	$1.45000	$1.55000
Cobalt, 97% grade (per pound—ounce ton)	$2.00000	$2.00000	$2.00000
Aluminum 99% grade ingot weighted average (per pound)	$26.800	$26.800	$28.100
Aluminum, 99% grade primary pig	$24.700	$24.700	$26.000
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of December:			
Total number of vehicles	688,846	609,570	621,704
Number of passenger cars	594,393	514,480	534,846
Number of motor trucks	94,263	94,915	86,526
Number of motor coaches	190	175	332
NEW YORK STOCK EXCHANGE:			
As of Dec. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$3,427,000	$3,369,000	$2,549,605
Credit extended to customers	146,000	124,000	67,824
Cash on hand and in banks in U. S.	357,000	346,000	342,360
Total of customers' free credit balances	1,159,000	1,148,000	896,064
Market value of listed shares	276,665,190	261,828,027	195,570,176
Market value of listed bonds	105,866,136	109,238,039	105,071,743
Member borrowings on U. S. Govt. issues	506,000	383,000	235,000
Member borrowings on other collateral	2,189,000	2,034,000	1,950,000
PORTLAND CEMENT (BUREAU OF MINES)—Month of December:			
Production (barrels)	23,590,000	28,031,000	22,386,000
Shipments from mills (barrels)	16,623,000	24,528,000	16,834,000
Stocks (at end of month—barrels)	30,459,000	23,688,000	28,729,000
Capacity used (per cent)	70	86	73
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Oct. (000's omitted):			
Savings and loan associations	$1,086,452	$1,021,859	$854,969
Insurance companies	150,420	135,951	131,554
Banks and trust companies	558,260	492,687	394,803
Mutual savings banks	175,104	170,394	131,389
Individuals	323,500	296,072	321,176
Miscellaneous lending institutions	562,783	479,045	391,857
Total	$2,856,519	$2,596,008	$2,225,748
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of October:			
Net railway operating income	$114,687,956	$93,564,725	$99,735,398
Other income	22,718,782	19,887,892	21,045,471
Total income	137,406,738	113,452,617	120,780,869
Miscellaneous deductions from income	4,440,555	4,507,051	5,049,132
Income available for fixed charges	132,966,183	108,945,566	115,731,737
Income after fixed charges	101,028,769	77,114,731	84,526,893
Other deductions	4,258,075	4,376,690	4,189,854
Net income	96,770,694	72,738,041	80,337,039
Depreciation (way & structure & equipment)	50,140,017	50,289,863	49,496,070
Federal incomes taxes	48,230,882	35,826,867	43,806,912
Dividend appropriations:			
On common stock	21,001,435	21,028,959	21,032,027
On preferred stock	1,356,424	834,205	1,287,556
Ratio of income to fixed charges	4.16	3.42	3.71

*Revised figure. †Average based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to platers. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ‡‡Increase all stocks.

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Mutual Funds

By ROBERT R. RICH

Chemical Fund Plans 2-for-1 Stock Split

The directors of Chemical Fund, Inc. have recommended to stockholders a two-for-one stock split of the fund's capital stock. The proposal will be submitted for approval to Chemical Fund's stockholders at the annual meeting to be held on March 3, 1959. If approved, stockholders of record at the close of business March 26, 1959 will receive certificates for one additional share for each share held. The fund previously split its stock two-for-one in June, 1955.

The lower price resulting from the proposed stock split should enhance the marketability of the fund's shares by making them attractive to a larger number of investors, the fund's directors said in recommending the stock split to stockholders.

In order to effect the split-up, stockholders will be asked to vote on an increase in authorized capital stock from 15,000,000 shares of 50 cents par value to 30,000,000 shares of 25 cents par value. The cost of splitting the stock will be borne by F. Eberstadt & Co. Inc., manager and distributor of Chemical Fund, Inc.

Chemical Fund, Inc., a mutual fund founded by F. Eberstadt & Co. in 1938, diversifies its investments over a wide range of companies in many industries which the fund's management believes will achieve above average growth as a result of chemical research and development.

M. I. T. Made Giant Gains in Past Year

Massachusetts Investors Trust, the nation's first and largest mutual investment company, reports for the year ended Dec. 31, 1958, total net assets of $1,432,816,211, representing 107,295,924 shares outstanding, owned by 199,449 shareholders. These are the highest year-end figures in the 34-year history of the trust.

A year earlier the trust had total net assets of $976,108,094, with 100,469,960 shares outstanding and 184,215 shareholders. The increase in net assets over year-end 1957 was nearly 47%.

The per-share net asset value on Dec. 31 was $13.35, also a year-end high. Including the capital gain distribution of 12 cents per share declared Dec. 31, the per-share asset value was $13.47, compared with $9.72 a year ago, an increase of over 38%.

Purchases and sales of securities, other than Government securities and short-term notes, totaled $110,000,245 and $55,857,934, respectively, during 1958 compared with $84,348,582 and $40,018,289 in the previous year.

On Dec. 31, 1958, the trust held common stock investments in 123 companies in more than 25 different industries. The five largest industry holdings were in stocks of petroleum, utilities, steel, railroad and tire and rubber companies.

Major portfolio purchases for the fourth quarter of 1958 were Armco Steel; Santa Fe Ry.; C.I.T. Financial; Commonwealth Edison; Florida Power & Light; General Public Utilities; Libbey-Owens-Ford Glass; Eli Lilly & Co. "B"; National Steel; Newmont Mining; Norfolk & Western Ry.; Pullman; Republic Steel; Royal Dutch Petroleum; Seaboard Air Line RR.; Southern Pacific; Southern Ry.; U. S. Steel; and Youngstown Sheet & Tube Co.

Common stock eliminated from the portfolio were American Metal Climax; Diamond Alkali and Mission Development Co. Decreases in holdings were made in Crown Zellerbach; Ford Motor; Goodrich (B. F.); Monsanto Chemical; Sunray Mid-Continent Oil and United Aircraft Corporation.

Selected Amer. Shs. Assets and Value Rise to New Highs

Selected American Shares reports total net assets of $91,065,855 on Dec. 31, 1958, an increase of 52.3% over assets of $59,805,980 at Dec. 31, 1957. Outstanding shares of 9,021,995 compare with 8,001,847 a year ago. After a distribution of 26c a share from net capital gains in January, 1958, net asset value per share was $10.09 compared with $7.47 at Dec. 31, 1957. Income dividends declared in 1958 totaled 28c a share. A distribution of 45c a share from realized profits was paid in January, 1959.

At Dec. 31 common stocks represented 95.4% of assets, corporate bonds and notes of 2.9%, cash 1.7%. The largest industry holdings in common stocks were steel 10.7%, oil 10.4%, electrical & electronics 8.2%, metal (non-ferrous) 7.8%, electric utility and aviation 6.2% each.

In the most recent quarter, Selected American added 16 and eliminated 15 common stocks. New stocks include Fruehauf Trailer, Atlantic Refining, Cerro de Pasco, Detroit Edison, Mead Corp., Phillips Petroleum, Sinclair, Cities Service, Dow Chemical, Owens-Corning Fiberglas, J. C. Penney, International Paper, Bell & Howell, Charles Pfizer, Minneapolis Gas, and Consolidated Edison (N. Y.) Increases in prior stock holdings include Monsanto, Sperry Rand, RCA, Standard Oil (Ind.), American Viscose, Bendix Aviation, International Harvester, and Container Corp.

Eliminated from the portfolio were American Natural Gas, Atlantic Coastline, Babcock & Wilcox, Emhart Mfg., Ingersoll Rand, International Minerals & Chemicals, Jones & Laughlin, Kansas City Southern, National Dairy, Neptune Meter, Ohio Oil, Socony, Southern Railway, Trane Co., and United Aircraft. Reductions in prior stock holdings include sales of Standard Oil (N. J.), Parke Davis, Public Service of Indiana, Kroger, Commonwealth Edison, National Gypsum and Commercial Credit.

H. E. Ward, Jr., Opens

Harry E. Ward, Jr. is conducting a securities business from offices at 817 Fifth Avenue, New York City.

Madison Fund Head Skeptical of "Growth Stocks"

Madison Fund, Inc., is reexamining many of the so-called "growth stocks," and in some cases redefining them as "glamour shares," according to Edward A. Merkle, President of the closed-end investment trust.

In Mr. Merkle's opinion, a stock acquires glamour when the price no longer has any relationship to any foreseeable earnings. Glamour shares are not to be confused with "blue chips," which have a long-term record of per share earnings growth.

"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 Florida land boom of earlier days." In Mr. Merkle's dictionary, 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.

In reviewing history, he reminded careless speculators of several events akin to the current rise of electronics, exotic fuels, and the similar stocks. In each case, at that particular time, anyone who didn't own the popular stock was considered to be bereft of his senses. Mr. Merkle listed these as typical individual instances, although emphasizing that they were only some of the many possible illustrations:

(1) The Louisiana off-shore oil boom—when McDermott rose to 76 in 1957 and declined to a low of 30 this year.

(2) The airline boom of some years ago—when American Airlines sold at 20 in 1946 and did not equal this price again until 1955.

(3) The aircraft manufacturing ascension—when Douglas sold at 90 in 1954, a price which has not been reached in the interim and is now at 60.

(4) The drug stocks—when Parke-Davis, as a representative issue, sold at 20 in 1951 and did not exceed this figure until 1958.

(5) The aluminums — when Alcoa sold at 136 in 1956 and reached a low of 60 this year.

(6) The uraniums — when Algom reached 25 in 1955 and is now 15.

"It is quite obvious that glamour is a perishable item, as many of yesterday's film stars might attest. At Madison Fund, we are looking for the ingenue of today who will be the star of tomorrow," Mr. Merkle went on. "To put it in financial terms, we believe that the selection of electronics, space-age, nuclear power and similar stock issues requires particular care. We have been fortunate at Madison Fund to be able to find under-valued defense stocks, 'blue chips' and growth issues which have shown us spectacular capital gains through the year. The key is selectivity."

Now With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Herbert W. McGuire is now affiliated with Walston & Co., Inc., 265 Montgomery Street. He was previously with Reynolds & Co.

Rejoins Lichtman, Mong

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Calif.—Morton E. Lichtman has rejoined Lichtman, Mong & Co., 1139 Chestnut Street. He has recently been with J. B. Hanauer & Co.

Century Shares Plans Stock Split

Century Shares Trust, a mutual fund specializing in the stocks of insurance companies and banks, plans a 3-for-1 stock plit early in April, in order to bring the unit price per share to a level more in line with most other investment companies.

The fund reported sharp increases in total net assets and per share value during 1958.

(1) Total net assets increased 40% to $61,740,479 on Dec. 31 from $44,101,665 a year ago.

(2) After adding back a capital gains distribution of 63 cents per share resulting from securities profits, the net asset value per share was $28.75 as compared with $20.68 at the end of 1957. This represents an increase of 39% during the year.

At the year-end more than 30% of the Trust's shares were held by fiduciaries, philanthropic organizations and other institutional accounts. This is substantially greater than the 10.6% average of institutional holdings in investment companies as reported in a recent survey by the National Association of Investment Companies.

Unit'd Funds Group 1958 Sales Above $100 Million Mark

A record volume of sales was reported by the United Funds investment group in 1958, as the total topped the 100-million-dollar mark for the first time in any one year. Sales rose nearly 30% over 1957, Cameron K. Reed, President, announced. Marked gains also were reported in net asset value and total amount of earnings and distributions.

The number of shareholders in the mutual fund group exceeded 190,000 Dec. 31, representing a gain of about 45,000 for the year in contrast to the previous record gain of 25,000 in 1957, Mr. Reed said.

The four funds in the group—United Income, United Accumulative, United Continental and United Science—had a 63.6% increase in net assets during 1958, bringing the total to $559,651,737, compared with $342,170,115 a year before.

"At the present rate of growth the assets of the funds should equal or exceed $1 billion by 1962," Mr. Reed declared.

Plan retentions continue to gain, as reflected by the sales gain of more than $26½ million in 1958 over 1957, while redemptions increased about $4 million. The ratio of cash-ins to sales continue to run less than 16%, Mr. Reed pointed out.

Total amount received from the sale of shares last year was $116,410,521, compared with $89,809,954 in 1957.

United Income Fund's net assets Dec. 31 were $206,656,561, equal to $10.84 a share, compared with $138,034,833, or $8.24 a share a year earlier. The number of shares outstanding increased from 16,742,495 to 19,066,007.

United Acumulative Fund had net assets of $241,352,017, equal to $11.72 a share, against $139,258,160, or $8.99 a share a year before. The number of shares outstanding rose from 15,494,595 to 20,587,105.

United Continental Fund reported net assets of $37,747,411, equal to $7.78 a share, against $24,276,238, or $6.10 a share a year earlier. The number of shares outstanding increased from 3,981,576 to 4,848,788.

United Science Fund had net assets of $73,895,748, equal to $12.39 a share, against $40,600,884, or $9 a share a year previous. The number of shares outstanding increased from 4,510,158 to 5,966,397.

Total income — dividends and interest—received on investments in 1958 amounted to 14,463,155, up from $12,416,889 in 1957. The funds also realized gains from the sale of securities in the amount of $18,234,559, compared with $11,768,850.

Canada General Assets Up 24%, Share Value, 26%

Canada General Fund Limited, large American sponsored mutual fund investing in the securities of leading Canadian business corporations, reports sharp increases in the net asset value of its shares and total net assets over a year ago.

The fund's report for the first quarter of the present fiscal year to Nov. 30 reveals that:

(1) The per share value increased 26% to $14.03 from $11.15 a year earlier. At the fiscal year end on Aug. 31, the Fund's shares were valued at $13.30.

(2) Total net assets climbed 24% to $91,060,283 from $73,556,279 at the end of the corresponding period a year ago. Three months earlier, total net assets amounted to $85,759,791.

In accordance with the policy of the fund, net investment income for the three-month period was retained and reinvested for shareholders.

The board of directors has elected Henry T. Vance, who has served as President since the fund was organized, to Chairman of the Board. William F. Shelley, Vice-President, was elected as the new President.

At the annual meeting of shareholders, the board of directors was reelected and two new directors

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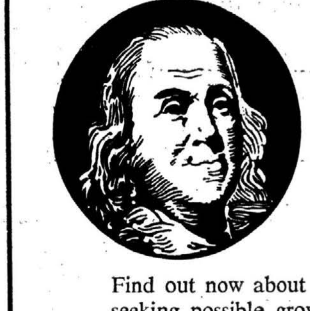

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were added to the board. The new directors, who are prominent in Canadian business life, are Ray E. Powell and Burnham L. Mitchell.

In a progress report of the fund's six-year history, note was made of these elements in the Canadian economy which have spurred the growth of business during this period:

	1952	1957
Population (millions)	14.4	16.9
Gross Nat'l Product (bil.)	$23.9	$31.4
Corporate Net Profit (bil.)	$1.3	$1.7
Common Stock Index	173	258
Industrial Production Index	233	284
Retail Trade (billions)	$11.3	$14.7
Gas Production (bil. c.f.)	6.6	17
Oil Production (mil. bbls.)	61	180
Oil Reserves (mil. bbls.)	1,740	4,800

The increases noted above are but a few of the signposts of progress but they are typical, the report said. "With these impressive figures as a backdrop," the report stated, "it is significant to note that the total government debt between 1951 and 1957 registered a net decline from $15.3 billion to $15.1 billion. Thus in Canada we see a picture of economic progress on one hand, and strengthened government financial position on the other."

The Canada General quarterly report revealed these additions to the portfolio: Northland Utilities, Shop & Save (1957) Ltd., Steinberg's Limited and Western Decalta Petroleum Limited. The preferred holdings in British Columbia Electric and Canada Safeway Limited, and the common stock commitment in Pacific Petroleums Ltd. were eliminated.

The fund also increased substantially its holdings in Algoma Steel Corporation Limited, Canadian Oil Companies Limited, British Columbia Power Corporation, and Shawinigan Water and Power Co.

Delaware Income Fund Assets Up 53%

Delaware Income Fund recorded a 53% increase in net assets in its fiscal year ended Nov. 30, 1958, according to the Fund's annual report.

Assets—boosted by sales of new shares and market appreciation of portfolio securities—climbed to $3,771,426 from $2,459,119 a year ago. Net asset value per share, after a special capital gains distribution of seven cents rose to $9.56 from $7.68. The Fund also paid out a total of 48 cents a share from net investment income in the 12 months.

The number of shareholders and shares outstanding also increased during the period. Some 1,800 individuals and institutions owned 394,602 shares at the fiscal year-end, compared with 1,600 shareholders and 320,255 shares outstanding on Nov. 30, 1957.

The bulk of Delaware Income Fund's assets was spread over 62 securities with 78.07% invested in common stocks. W. Linton Nelson, President, told shareholders that during the period management saw, especially in view of existing and anticipated market conditions, that a sizable investment in prior securities was in line with the Fund's objective: highest possible current income without undue risk of principal. "Thus, by the close of its fiscal year," he went on, "Delaware Income Fund's portfolio had been rounded out with a 12.85% investment in preferreds and 7.89% in bonds. The remaining 1.19% was held in cash and receivables."

Machinery, constituting 9.18% of total resources, represented the Fund's largest single industry holding on Nov. 30, last. Household followed close behind with 8.92%; railroad was third with 8.72%; automotive next with 8.47%; and 8.26% was invested in steel. Other large industry holdings included building, 8.16% of resources; retail, 7.25%; advertising, 6.33%; entertainment, 5.51%; and steamship, 3.98%.

Wellington Fund Sales at Record

Wellington Fund sales for 1958 established a record, according to Joseph E. Welch, Executive Vice-President. 1958 sales amounted to over $118 million, the highest for any year in the over 30 years of Wellington Fund's history, and an increase of over 23% compared with 1957. The comparable annual figures are as follows:

1958	$118,694,651
1957	95,764,359
Increase	$ 22,930,292

The month of December contributed to the record total with sales of nearly $11 million, an increase of almost $4 million over December of the previous year. The December figures are as follows:

December 1958	$10,967,286
December 1957	6,981,075
Increase	$ 3,986,211

The record sales, together with increases in securities values produced Wellington Fund totals of over $850 million at year-end. The comparable annual figures are as follows:

Dec. 31, 1958	$858,979,373
Dec. 31, 1957	604,578,038
Increase	$254,401,335

Nat'l Growth Assets Cross $50 Million

Assets of National Growth Stocks Series passed $50 million on Jan. 15 when net asset value totaled $50,197,816. The announcement was made by Henry J. Simonson, Jr., President of National Securities & Research Corporation, sponsor and manager of the National Securities Series of mutual funds.

In making the announcement, Mr. Simonson noted that there appears to be an increasing interest in growth stocks on the part of American investors.

In the slightly more than 12 months since Jan. 1, 1958, total assets of National Growth Stocks Series increased by more than $20 million, reflecting market appreciation and new purchases by investors. During this period shareowners rose from 23,300 to 28,000.

National Growth Stocks Series—an all common stock fund—has as its objective growth of capital and income over the long-term. Special consideration is given to securities of those corporations actively engaged in newer technological developments. Portfolio companies are active in such fields as atomic energy, electronics, rockets, pharmaceuticals, chemicals, glass, machinery, metals, petroleum and rubber.

Managed Funds Set New Records in 1958 Fiscal Year

Sharp gains in net assets shares outstanding, number of shareholders, dividends paid and sales enabled Managed Funds, Inc. to set new records in virtually all categories during Fiscal 1958, according to its annual report.

On Nov. 30, net assets of the nationally - distributed mutual fund group totaled $69.1 million, 43.1% higher than the $48.3 million figure a year earlier, and 223% above the total five years earlier.

Major contributors to the rise in net assets during the year were Paper Shares — up 73.9%; Metal Shares—up 51.3%; and General Industries Shares—up 45%.

Shares outstanding at the fiscal 1958 close came to 22.1 million, compared with 17.5 million on Nov. 30, 1957—a 26.4% rise. Managed Funds shares outstanding climbed 256% from Nov. 30, 1953.

A 30.6% jump in the total number of Managed Funds shareholders was reported for 1958—from 18.755 to 24,500. Over the 5-year fiscal period, the gain amounted to 218%.

Affiliated Fund Assets Now Exceed Half-Billion Mark

Net assets of Affiliated Fund, Inc. were well past the half billion mark at the end of 1958, two months after the completion of its 25th Anniversary year. The final 1958 figure was $510,975,957.

Primarily a common stock fund, Affiliated ranks fifth in size among all investment companies, first among those headquartered in New York.

Growth has brought the following advantages, according to the management:

(1) enabled the Fund to attract and hold able men

(2) to widen contacts and open new sources of investment information and

(3) to make substantial reductions in the ratio of operating expenses to net assets. In Fiscal 1958, for example, operating expenses amounted to 46 cents per $100 of net assets, compared with $2.00 in fiscal 1938. This means that the shareholder with a $10,000 investment paid $46 as his total expenses in 1958. (Fees for management, custodian, dividend disbursing agents, transfer agents, etc.) He paid $200 for the same service in 1938.

National's Share Value Shows 44.4% Gain

The asset value of each share of National Investors Corporation, the growth stock fund of the Broad Street Group of Mutual Funds, rose to an all-time high of $11.85 at the end of 1958, according to the annual report. This was up from $8.62 12 months earlier and meant an increase of 44.4%, taking into account the 60 cents distributed to shareholders in December from gain realized on investments.

Net assets of the fund increased 51.8% in 1958 to $94,001,772 at the year-end and were the highest in National Investors' history by a wide margin, according to Francis F. Randolph, Chairman. In dollars, the gain was $32,068,245. According to Mr. Randolph, growth through the sale of new shares accounted for $4,909,196 of this amount and was at a rate more than double that in 1957.

Common stocks accounted for 95.5% of National Investors' net assets at Dec. 31, Mr. Randolph reported, and National Investors continued in the substantially fully invested position it has maintained for a number of years. The chairman went on to say that "the basic growth trend of the nation's economy seems firm, and continued confidence in the long-pull outlook for business and stock prices appears to be warranted. No change in the fund's overall investment position is planned or contemplated," he added.

At the year-end, oil stocks represented the largest individual group of holdings at 15.8%, followed closely by public utility stocks at 15.0%. Next in order were office equipment stocks at 11.3%, miscellaneous manufacturing stocks at 11.0%, drug and cosmetics stocks at 9.3% and electrical and electronics stocks at 8.5%.

During the fourth quarter of 1958, investment positions were increased by the purchase of National Lead, Shamrock Oil & Gas, Western Casualty & Surety, Owens-Corning Fiberglas, Southland Royalty and Black & Decker. Investment positions were eliminated through the sale of Gillette and Smith Kline & French. Positions were reduced by the sale of Standard Oil of New Jersey, San Diego Gas & Electric, Addressograph-Multigraph, United Aircraft, Amerada Petroleum, and Minnesota Mining & Manufacturing.

DIVIDEND NOTICE

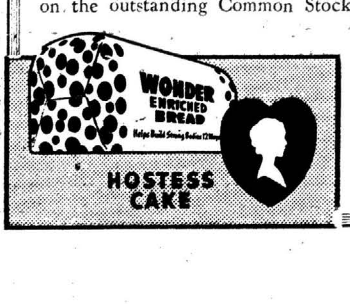
CONTINENTAL BAKING COMPANY

Preferred Dividend No. 81

The Board of Directors has declared this day a quarterly dividend of $1.37½ per share on the outstanding $5.50 dividend Preferred Stock, payable April 1, 1959, to stockholders of record at the close of business March 13, 1959.

Common Dividend No. 56

The Board of Directors has declared this day a regular quarterly dividend, for the first quarter of the year 1959, of 55¢ per share on the outstanding Common Stock, payable April 1, 1959, to holders of record of such stock at the close of business March 13, 1959.



The stock transfer books will not be closed.

WILLIAM FISHER
TREASURER

February 5, 1959

DIVIDEND NOTICES

AMERICAN CAN COMPANY

CANCO

PREFERRED STOCK

On February 3, 1959 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable April 1, 1959 to Stockholders of record at the close of business March 13, 1959. Transfer books will remain open. Checks will be mailed.

JOHN R. HENRY, *Secretary*

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND No. 139

A quarterly dividend of twenty-five cents (25¢) per share on the Common Stock of this Company has been declared payable March 31, 1959 to shareholders of record at the close of business February 27, 1959.

4.08% PREFERRED DIVIDEND No. 19

A regular quarterly dividend of one dollar and two cents ($1.02) per share on the 4.08% Cumulative Convertible Preferred Stock of this Company has been declared, payable March 5, 1959 to shareholders of record at the close of business February 20, 1959.

Transfer books will not be closed.

A. D. Dennis,
Secretary

February 4, 1959

acf INDUSTRIES, INCORPORATED

Common Dividend No. 157

A dividend of 62½¢ per share on the common stock of this Corporation has been declared payable March 16, 1959, to stockholders of record at close of business February 27, 1959.

C. Allan Fee,
Vice President and Secretary

February 5, 1959

DIVIDEND NOTICES

J. I. Case Company
(Incorporated)

Racine, Wis., February 9, 1959

A dividend of $1.75 per share on the 7% Preferred stock and 11.375 cents per share on the 6½% Second Preferred stock of this Company has been declared payable April 1, 1959, to holders of record at the close of business. March 12, 1959.

L. T. NEWMAN, Secretary.

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

146th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 60c per share on the Common Stock of the Company, payable on March 2, 1959 to stockholders of record at the close of business on February 16, 1959.

GEORGE SELLERS, Secretary

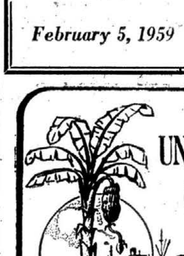
February 6, 1959

PHELPS DODGE CORPORATION

The Board of Directors has declared a first-quarter dividend of Seventy-five Cents (75¢) per share on the capital stock of this Corporation, payable March 10, 1959 to stockholders of record February 20, 1959.

M. W. URQUHART,
Treasurer.

February 5, 1959



UNITED FRUIT COMPANY

239th Consecutive Quarterly Dividend

A dividend of fifty cents per share on the capital stock of this Company has been declared payable April 15, 1959, to shareholders of record March 13, 1959.

EDWARD D. TOLAND, Jr.
Secretary and Treasurer

Boston, Mass., February 9, 1959

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The United States Senate, traditionally the more liberal branch of Congress when it comes to spending the taxpayers' money, has gotten off to a fast start. Before the end of the session, probably sometime in the summer, the taxpayers are likely to be dizzy from the spending headlines which this overwhelmingly Democratic controlled Congress appears destined to make.

One night last week the Senate passed a Housing Bill that would cost $2,675,000,000,000. The amount authorized is $1,000,000,000 greater over a six-year period than the Eisenhower Administration's own housing proposal. Just 24 hours later on the following night, the Senate passed a $465,000,000 Federal airport construction bill.

This brings up the question of what the President is going to do to emphasize upon the American people that his Administration should not have to shoulder the total responsibility of the big deficit that looms ahead, not only this year, but probably at the end of the 1960 fiscal year.

This also brings up the question: Why is the Senate more liberal spenders than the House? The fundamental answer is: The members of the House have to face the electorate every two years; the Senate every six years. However, it is not unusual for a liberal spending Senator to be a conservative the two years preceding election year.

Some of the President's advisers have been urging him to never pass up an opportunity to tell the American people that if the Democrats are going to continue spending billions of dollars more each year than is coming into the Treasury, then the same Congress should have the courage to raise taxes and more taxes, which are already staggering, they are so heavy.

The leadership in the Senate and the House has a grave responsibility on its hands to either help hold down spending, or have the courage and tell the people of the country: "We need some more tax money to meet the bills which we are approving."

Johnson Campaigning

Incidentally, Senate Majority Leader Lyndon B. Johnson is so busy eying the Democratic Presidential nomination at this time, that he speaks out two or three times a day on subjects ranging from the space age to civil rights. The Texan wants the Presidency so much that he is pressing his own civil rights legislation.

Senator Johnson realizes the Democratic machinery in most Northern cities captured the Negro vote majority during the New Deal days. Neither he nor his fellow Texan, who runs the House, Speaker Sam Rayburn, wants to lose this big Northern Negro vote which is growing bigger and bigger each year. There appears to be no doubt that once a civil rights bill reaches the floor of the Senate or House, it will pass, simply because it is big political bait.

Too Many Parties

Congress still has not gotten down to its work load. After the traditional Lincoln Day speech-making of the Republicans, the Committees usually settle down to a normal work load. The facts are most Congressmen have been on an almost constant round of parties and receptions since the session started. They are more fatigued from the party binges than they are from work.

Legislative Possibilities

It seems a little early to tell just where this session of Congress is going. Of course, it seems certain that there will be a big omnibus housing bill, and an airport construction bill, extending the draft for the military, and of course the regular appropriations for the various departments, agencies and bureaus, and the extension of corporate and excise taxes, but what about some of the other major proposals?

New debt limit legislation will have to be passed, it seems. In the doubtful category at this time is whether Hawaii will be voted into statehood, whether postal rates will be increased again, whether the Federal gasoline tax will be increased for the Interstate road program.

It would seem that some labor reform legislation will be passed, but any legislation that will be approved will be controversial. There is also a strong move afoot by labor to shorten the work week, and to increase the minimum pay. Congress should do something about the support price program which is costing the taxpayers more and more as surplus crops overflow warehouses all over the country.

Aid to Small Business

The Senate Select Small Business Committee issued a report a few days ago telling what it had done to help small business through small business legislation. The Committee described the 1958 act as greatly aiding small business in "overcoming competitive handicaps which are inherent in their small size." Lack of capital has held many small businesses back since World War II, but the Committee feels that the handicap has diminished considerably. Furthermore, it believes that the financial setup will help small new companies to start up over the country.

Under this act, small business investment companies must have a minimum of $300,000 of paid-in capital and surplus. If small companies can put up $150,000, then the Small Business Administration can lend up to 50% of the capital, thus giving an investment company at least $300,000 to hang out a sign, "Ready for Business."

Some pertinent testimony has been given before Chairman Paul H. Douglas (D.-Ill.) and the Joint Economic Committee recently. Witnesses have included at least a dozen professors of economics, industrialists and members of President Eisenhower's cabinet and assistant Secretaries.

Treasury's Problems Aired

Charles J. Gable, Jr., Assistant to the Secretary of the Treasury on the management of the public debt, brought some thought-provoking observations in his statement to the Committee in view of the colossal $283,000,000,000 public debt. This is equal to 63% of the total gross national product. It is also an amount equal to more than $1,600 for each man, woman and child in America. [See page 10 for Mr. Gable's statement in detail.]

The Assistant Secretary mildly surprised some members of the Joint Committee when he outlined the Treasury's refunding operations this year, one of the biggest of all time. The refunding not only consists of a weekly sum of $2,000,000,000 Treasury bills, but also $15,000,000,000 of maturities in February, $4,500,000,000 in May, $13,500,000,000 in August and $9,000,000,000 in November.

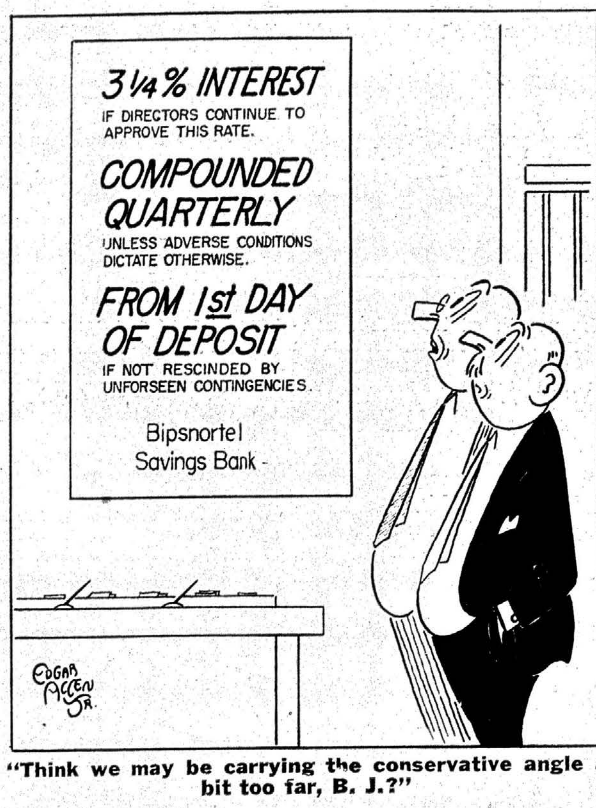
The February refunding, of course, saw a substantial attrition, and thus is resulting in additional bill offerings. The Treasury is already operating under a temporary debt ceiling of $288,000,000,000. The temporary ceiling will expire June 30 to the so-called permanent debt ceiling of $283,000,000,000. Therefore, with a $285,000,000,000 public debt estimated for June 30, it is obvious that Congress will be asked for new debt ceiling legislation. Because of the tremendous borrowing and money needs of the Treasury, the borrowing by the Federal Government has a tremendous impact on the interest rates of the country.

The policy of the Treasury Department on interest rates as set forth by Treasury officials is this: "The rate of economic growth and the extent to which demands for funds exceed available savings will, of course, set the basic environment in terms of interest rates and credit availability in which the Treasury will have to operate. Our borrowing, just like that of any other debtor, will continue to be done in a market environment in which neither maturing issues nor new issues are supported by the Federal Reserve. Government borrowing is borrowing which must be done and cannot be postponed.

". . . We will continue to secure our funds as largely as possible from true savers rather than from commercial banks in order to reduce the inflationary potential of our financing operations during a period of rising economic activity."

[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



"Think we may be carrying the conservative angle a bit too far, B. J.?"

With Bache & Co.

SAN ANTONIO, Texas—Bache & Co., members of the New York Stock Exchange, announce the appointment of William Stern as a registered representative. His office will be located in the firm's San Antonio branch in the Gunther Hotel.

Mr. Stern has recently returned to San Antonio after four years in California where he was also engaged in the securities business.

C. G. Ostberg Opens

ROCHESTER, N. Y. — Carl G. Ostberg is conducting a securities business from offices at 39 Bennington Drive.

Consumer Credit Gains Forecast

Vice-President-economist of Beneficial Finance System explains why consumers will enlarge the use of credit this year and opines the pendulum will swing back to hard goods.

Consumers will use more credit in 1959 than in recent years, predicts Dr. M. R. Neifeld, Vice-President and chief economist of the Beneficial Finance System.

M. R. Neifeld

He bases this prediction on the fact that during the recession, many consumers avoided contracting new obligations while they repaid old ones. Now, says Dr. Neifeld, these consumers are ready and able to enter the credit market. He warns, though, that they will not buy the same big-ticket items they formerly did.

Pick-Up in Hard Goods

During the recession consumers cut back hard goods purchases by $4.5 billion, though they spend $2.5 billion more than in 1957 on soft and non-durable goods and $6.5 billion more on services. Dr. Neifeld thinks the pendulum will swing back to hard goods as replacement needs are felt.

He finds the overall consumer credit picture to be a healthy one: the record of repayment during the recession was impressive with payment slowdowns and repossessions limited generally to areas of concentrated unemployment. The average consumer not only kept up with his payments but continued to buy, contrary to the expectations of some economists, Dr. Neifeld pointed out. Therefore, since most credit ratings remain unimpaired, Dr. Neifeld thinks consumers will expand their use of credit as business optimism grows.

Form Greenberg & Co.

EAST ORANGE, N. J.—Greenberg & Co. has been formed with offices at 573 Main Street to engage in a securities business. J. Julien Greenberg is a principal of the firm.

New Wainwright Branch

PEABODY, Mass.—H. C. Wainwright & Co. has opened a branch office at the Northshore Shopping Center, under the direction of Carroll M. Lowenstein.

Andrews Opens Branch

NORTH ANDOVER, Mass.—Edgar D. Andrews & Co. has opened a branch office at 32 Pilgrim Street under the management of James J. Regan.

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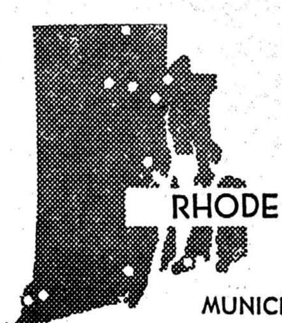

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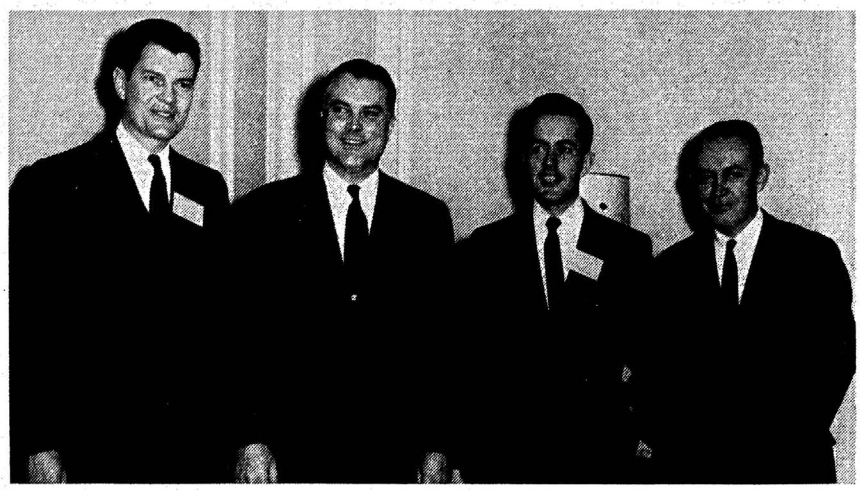

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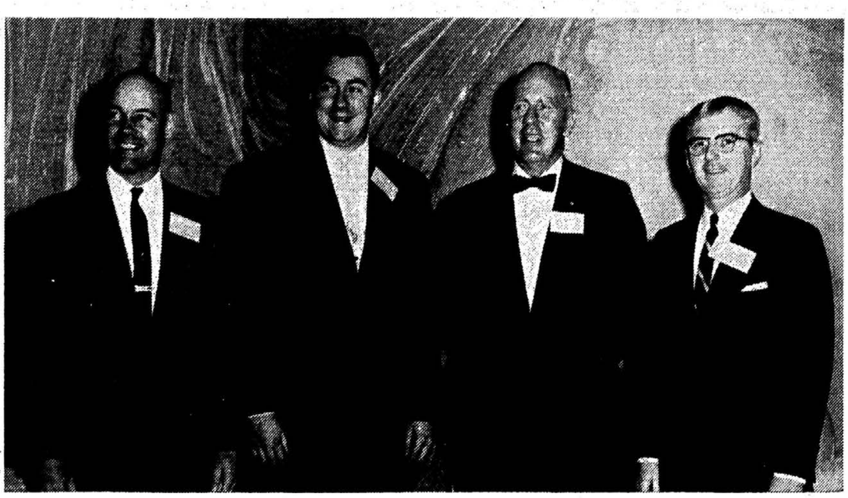

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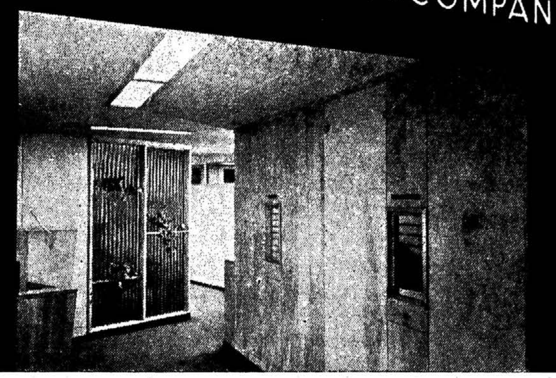

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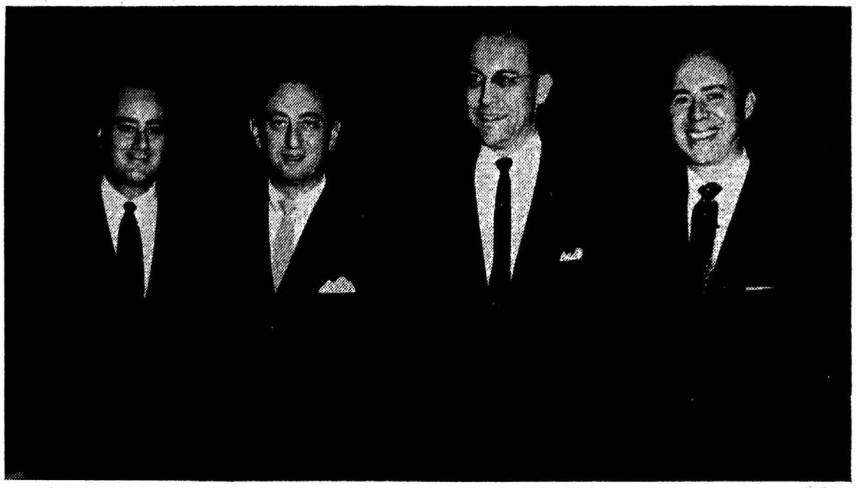

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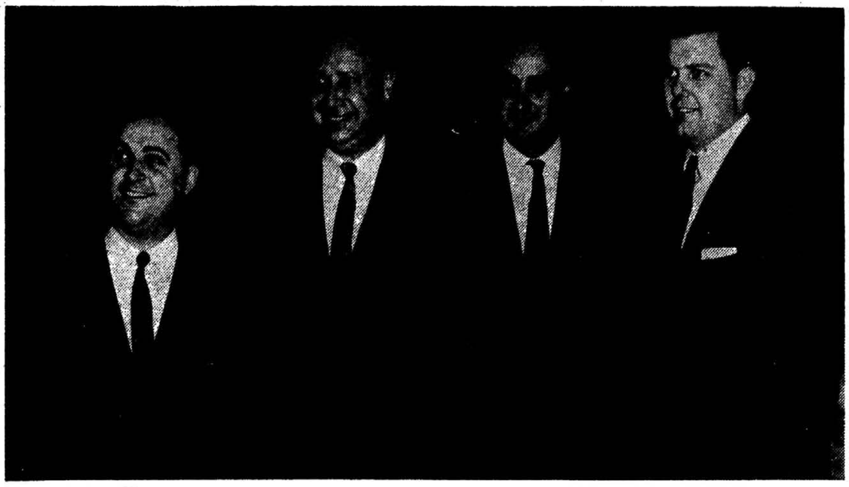

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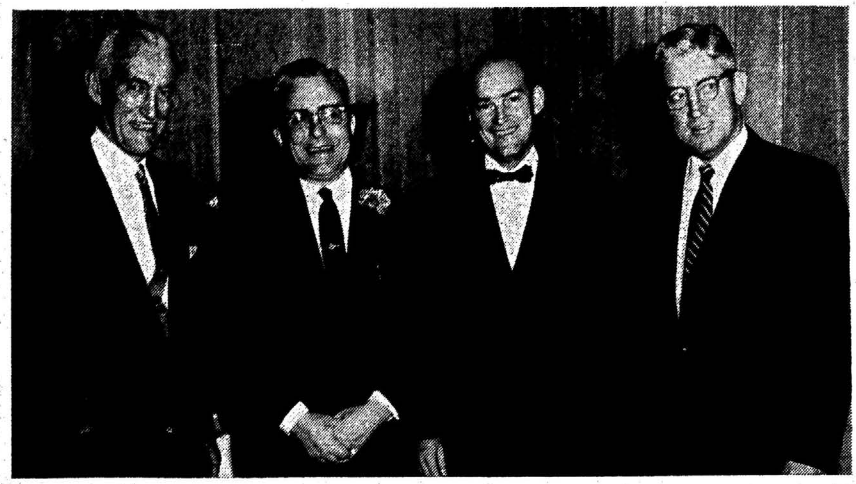

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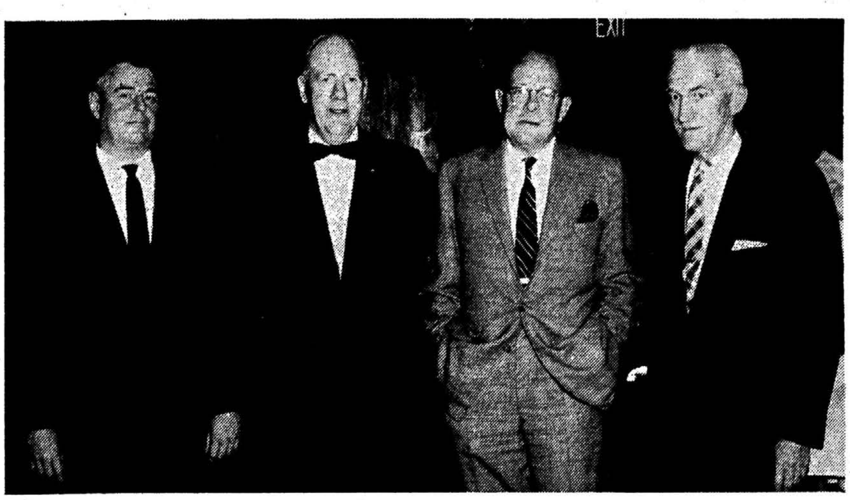

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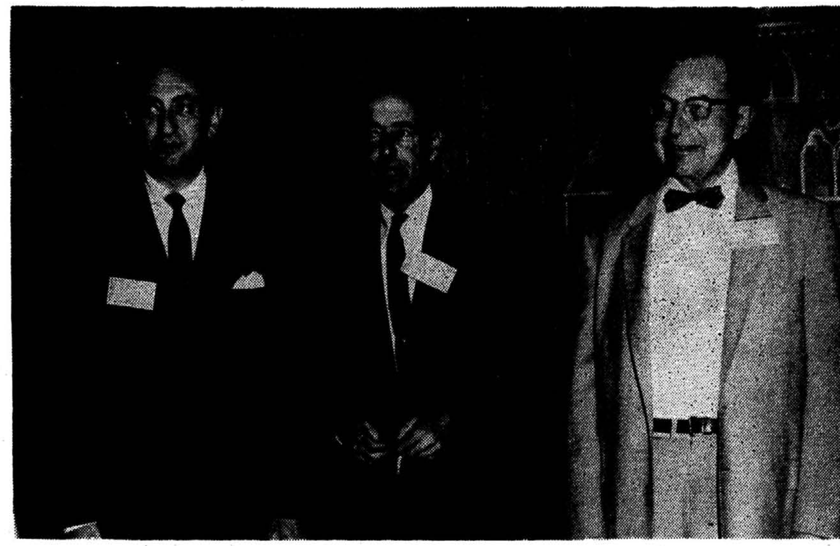

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