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EDITORIAL

As We See It

It is common knowledge that there is a good deal of dissatisfaction with the way the so-called full employment act worked, or did not work, during the late, unlamented recession. For a long while after business activity started downward and unemployment was on the rise, prices continued to move upward, and it is still not fully clear whether the upward drift has come to a final end. The sag in economic output also induced a state of anxiety in many minds about the "rate of growth of the economy". A good deal is still heard about that subject. More recently, however, emphasis appears to have shifted to the fact that revival does not appear to have absorbed or to be absorbing the unemployed as rapidly as was expected. Now we often hear it said that the real trouble is that our economy is not growing fast enough, and that chronic unemployment is likely to plague us more or less continuously until such time as a more rapid rate of growth is restored or instituted.

Of course, all this has not escaped the attention of members of Congress whose ears are never far from the ground. Long ago the demand arose for a provision of law stipulating that national policy must seek to prevent inflation as well as maintain a high rate of employment. The suggestion has also been heard that legislation should be enacted fixing some specified growth rate to be nurtured as full employment is now supposed to be. Doubtless there are a few naive souls who suppose that all would be well so soon as such provisions of law as these were taken to the statute books. Fortunately, however, not all of

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Fallacy of Investing On an Industry Basis

By THOMAS J. HERBERT*
Executive Vice-President, Investors Management Co., Inc.
Elizabeth, New Jersey

Mr. Herbert favors de-emphasizing industry trends and industry forecasts in selecting companies in a common stock portfolio and emphasizes selection of individual companies that best fulfill the objectives of the individual account. The mutual fund investment officer presents, however, what he believes are the factors underlying industry trends helpful in interpreting developments in particular areas of the economy so as to assist selection of individual stocks that will produce the best investment results in the next decade. For example, to illustrate point that you can't buy management on an industry-wide basis, he cites experience of Zenith Radio and Lorillard.

In our search for investment opportunities an appraisal of the relative positions and prospects of various industries is often a good starting point—particularly a study of the long term trends. We must know the points of strength and weakness in each industry to weigh the merits of individual companies. We might say that we study industry trends in an attempt to improve our batting average. Whenever investment men get together, an inevitable question is, "which industry groups do you like currently?" This seems to imply that the selection of the groups having the most favorable current outlook will determine the diversification of a portfolio and assure a successful investment experience. I think this is over-emphasizing the importance of industry trends. Companies within a specific industry just don't all go the same way at the

Thomas J. Herbert

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*An address by Mr. Herbert before the 40th Mid-Winter Trust Conference of the American Bankers Association, New York City, Feb. 10, 1959.

Recovery Rate Slow-Down Should Not Create Pessimism

By ALLYN P. EVANS*
President, Lionel D. Edie & Company, New York City

Lionel D. Edie head anticipates a slow-down in the rate of recovery and strongly advises that acceptance of this should not occasion misgivings in the minds of those who currently are most optimistic. Mr. Evans pin-points the near-term as being within the restrained "Interim Years" of 1957-1962; stresses the importance of age distribution in the population's composition; and states the next dynamic upsurge in economic growth will occur after 1960 when demand has caught up with capacity and new pressures cause large capital investment. Top ten different growth areas are selected to aid forward planning, and more frequent cyclical swings than since World War II are expected.

I cannot help but think how quickly the mood of sentiment changes and how dramatically. A short year ago, an atmosphere of fear and pessimism prevailed. Each statistic as published thickened the gloom. A word of hopefulness was greeted with disbelief or skepticism. Not so today. Today the prophets of doom have gone underground. The business forecasts are universally brilliant. When unfavorable reports are released they are brushed aside as unimportant. Rosy interpretations are placed on every business news release. The stock market as a measure of confidence has been reflecting great optimism. Will this current state of mind prove as unreliable a forecaster of business this year as was the case last year?

Allyn P. Evans

If you expect 1959 to be a year of moderate economic growth you will not be disappointed, but if you believe

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*An address by Mr. Evans before the Republic National Bank of Dallas, Texas.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

CHARLES T. JAWETZ

Partner, Daniel Reeves & Co., Los Angeles, Calif.

Members: New York Stock Exchange, American Stock Exchange and Los Angeles Exchange

Bestwall Gypsum

The security I have selected as the one I like best is the same one I selected a year or so ago when I was last invited to contribute to this highly regarded column — BESTWALL GYPSUM COMPANY. Bestwall's market action, since the stock became publicly held following the spin-off from Certain-teed Products, has been highly volatile. It was initially traded in the upper '50s, sky-rocketed to 77¼, plummeted in '57 to 30¼ and this year reached a high of 87½. There were several reasons behind this extremely volatile action, none of which were based on the internal operation of the company itself or its excellent management.

Charles T. Jawetz

Less than a year after Bestwall's listing on the New York Stock Exchange, the company allegedly received overtures from the Owens-Corning Fiberglas Corporation to merge on an exchange of stock basis that appeared to be favorable to the Bestwall stockholders. This caused a great amount of arbitrage by professional traders who bought Bestwall and sold Owens-Corning, expecting to profit by the large price differential than existing. Many others bought Bestwall believing that the merger was highly desirable.

Negotiations, however, were not successfully concluded after the Bestwall management reportedly rejected a final offer that it did not believe to be sufficiently attractive nor in the best interests of the Bestwall stockholders. This resulted in these arbitrage transactions of necessity being reversed, and also caused some large selling by those who thought that Bestwall without Owens-Corning would not amount to much.

Sometime later an almost similar chain of events took place when Bestwall was approached by Johns-Manville, also on an exchange of stock merger offer. After months of negotiating, during which time professional traders were busily arbitraging, the Bestwall management deemed it in the best interest of its stockholders to turn down the Johns-Manville offer. The arbitrage reversals, plus disappointed selling by professionals, coupled with heavy year-end tax selling at the end of '57, drove the Bestwall stock down to its low from which it has so sharply recovered. My personal opinion is that Bestwall would never have sold below 50 had it not been for the technical factors outlined above and that buyers should disregard its price history in determining its future course in the market. The recovery has been solid because it has been based entirely on the recognition of the merits of the company and its management rather than in anticipation of a lift from the outside.

Based on the prices of other gypsum stocks, Bestwall represents the outstanding value of them all. A large amount of the stock is very closely held, and more of it daily is being acquired by institutions in their search for growth vehicles. The Lazard Fund very significantly has acquired 35,000 shares of the stock, and highly praised the management of the company in its 1958 annual report. The first quarter reports of other funds will undoubtedly disclose that the market action of Bestwall has been strengthened by unusually large institutional buying.

The cash position of the company is very sound and its expansion program is being financed out of retained earnings. The 1958 annual report is expected to show earnings in excess of $5.50 per share, compared to $4.05 for 1957. Any company that can show a betterment to this extent in a year as difficult as was 1958 must be capably managed, which Bestwall certainly is.

The building industry, of which it is a vital part, will be vigorously expanding for an indefinite period of years as the nation attempts to house, educate and service a growing population which will need homes, schools and greater industrial plants. Covetous eyes have looked at Bestwall in the past, and those who missed the opportunity of acquiring the company must certainly, at this time, be deeply regretful of their actions. Others will look at the company in the future, and it is my belief that at some future time Bestwall may well be absorbed on terms both advantageous to its stockholders and rewarding to any acquiring company.

Meanwhile, I believe the company will continue to increase its earnings and strengthen its position in the industry, all of which I expect will be reflected in the performance of this stock on the New York Stock Exchange.

I see no reason to change my opinion of several years ago in selecting Bestwall Gypsum as the stock I like best.

CARL E. BRYANT

Hayden, Stone & Co., Boston, Mass.

Members: New York Stock Exchange, Boston Stock Exchange and American Stock Exchange

Continental Commercial Corporation

Continental Commercial Corp. is engaged in the business of extending consumer installment credit, the growth of which has been one of the phenomena of the American economy and standard of living in the past decade.

Carl E. Bryant

Consumer installment credit, about 93% of which is represented by (1) personal loans, (2) automobile time sales loans and (3) loans made for the purchase of consumer durables, other than automobiles, has had long-term growth. The average yearly rate of growth approximated 10% since 1920. However, due to interruptions by war and depression, and to changes in the mode of living of the average American family which required increased purchases of durable goods on credit, the rate of growth has been higher in the past decade. Annual outstanding consumer installment credit has increased fivefold between 1947 and 1957. Disposable personal income increased 85.3% while personal consumption expenditures rose 72% in this period and Gross National Product was up 88%.

The 1957-1958 business recession brought only a slight decline in the overall outstanding consumer installment credit. However, since the long-term pattern of growth has been that of the growth of Gross National Product, the predicted rise in the latter to near the $500 billion level before 1965 and the indicated resumption of purchases of durable goods by consumers in 1959, point to further growth in outstanding consumer installment credit over both the long- and short-term.

About one-half of the outstanding consumer installment credit is held by the finance companies which, by both internal and external expansion, have grown in size and profit making capacity. In the decade just passed, the five largest finance companies of the country increased their total assets 245% to $5.4 billion and their profits rose 267%, from $31.8 million to $116.8 million. Prospect for further growth in the volume of consumer installment credit makes for a favorable outlook for profits of consumer finance companies.

Continental Commercial Corp. is one of the small consumer finance companies with possibilities for growth. It is not a newcomer to the business. It represents the incorporation in 1922 of a business begun in 1916 and is one of the oldest consumer finance companies in the country. It operates 13 loan offices in the Pittsburgh area, financing retail and wholesale sales of automobiles and making personal installment loans. Two subsidiary insurance companies provide life and casualty insurance incident to the business. At the close of the 1958 fiscal year, Sept. 30, 1958, its assets totaled $16.9 million, after deducting $1.1 million in loss reserves and unearned finance charges.

For a number of years, management chose to keep the company small and to operate only on a secured basis with bank funds. In recent years, however, the present management has had as its objective moving from the secured bank loan basis by obtaining longer term unsecured capital funds in order to create a larger capital base and flexibility that will permit taking advantage of growth possibilities. In 1958 this objective was accomplished by sale of $8 million long-term unsecured notes to insurance companies and a reduction in bank loans. The changes that took place in the nature of capital funds are indicated as follows:

	9/30/58	9/30/57
	—(Millions)—	
Bank discounts	---	$14.04
Bank loans unsecured	$5.00	---
5% senior notes 1961-70	5.00	---
Subord. promissory note	---	.16
5½% sub. notes 1961-70	2.00	---
6½% subordinated junior notes Sept. 1, 1968	1.00	---
Convertible preferred	.24	.55
Net worth (381,944 shs.)	3.04	2.62

In addition to the new capital raised, approximately $12,000,000 in unsecured bank credit lines ($7,000,000 of which has not been

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Chemicals . . . Buy for 1959

By R. B. JOHNSON*
Analyst, Schwabacher & Co., San Francisco, Calif.

California analyst weighs the *pros* and *cons* of chemicals and sees no justification for the onus of disfavor placed on them. Mr. Johnson opines that, among the many industry groups, chemical companies should provide better-than-average investment opportunities this year. The author reports: (1) sales are expected to reach $24.5 billion; (2) improving inventory-sales ratio; (3) polyethylene will be the first plastic to reach and better a billion pounds; (4) synthetic fibers are in the spotlight, and (5) profit trend is definitely upward—making dividend rates look much safer. His predictions rely, among other things, upon fulfillment of recovery prospects and motivating impact of research and developments, and he denies stock prices are too high compared to prospective earnings in 1959 and 1960.

Periodically, security analysts attempt to determine which industries — and which companies within such industries—may offer the best investment opportunites. This is never easy, because it involves an appraisal of the economic outlook as well as a detailed analysis of the relative merits of different stocks and stock groups. In addition, a prime consideration must also be kept in mind: each investor has individual investment objectives. For example: while many may be interested in high performance growth stocks, others may be more concerned with shares offering greater current income. It is not unlike prospective automobile purchasers attempting to decide whether they want a Ferrari for high performance or a Volkswagen for economy of operation.


R. B. Johnson

With the stock market averages at record highs many analysts agree that choosing successful industries — and companies — this year may be more difficult than ever. While I expect the economic recovery to continue this year, I doubt that the stock market will be able to duplicate the truly dynamic performance of 1958. Several analysts in fact have suggested the possibility of a somewhat uneven course in the market this year with the upward trend in prices punctuated by a number of technical corrections.

Prefers Chemical Industry

As projections are part and parcel of the function of an analyst, I should like to offer my personal opinion that, among the many industry groups, chemical companies should provide better-than-average investment opportunities this year.

The chemical industry appears to have weathered the 1957-8 recession with little, if any, serious or permanent damage. And although by the end of the year, results of the business decline were reflected in both sales and earnings, it was apparent that a definite recovery was underway.

The outlook, right now, would seem to be in sharp contrast to that which prevailed just 12 months ago. At that time sales had declined considerably from the previous summer's highs . . . inventories were building up—forcing a cutback in production . . . and, under the impact of still high operating costs, net profits were declining at even a more rapid rate than either sales or production.

At the beginning of 1958, no one was completely sure as to whether the business decline would develop into little more than a short pause in the chemical industry's long term growth trend — or whether business might continue downward into a full-fledged recession.

As it turned out, although the decline was unusually sharp, it was very short-lived. In fact, recovery appeared much sooner than many had expected. Both sales and production (allowing for seasonal factors) "bottomed out" in March and then rebounded to more than $6 billion (seasonally adjusted) in the third quarter . . . **a new all-time high.** When the final results for 1958 are published, chemical sales for the year should total something more than $23 billion — reflecting only a modest decline from 1957's record high of $23.4 billion.

Relates Sales Figure

For 1959, sales have been estimated at $24.5 billion. Opinion however, even among chemical analysts, is not unanimous and even those who expect the recovery to continue, fear the possible effects of inflation . . . new cost increases . . . and expanded competition. Nevertheless, the chemical industry has demonstrated an outstanding ability to pull itself out of a slump — as the past year illustrates.

In addition to increases in both sales and production, employment in the chemical industry is also up, although the total is still below that of a year ago.

Let's look at inventories for a moment. With sales increasing, unbalanced inventories are being corrected. At the end of October, inventories totalled $3.7 billion — right in line with the year before.

*An address by Mr. Johnson before the Dinuba Rotary Club, Dinuba, Calif.

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Observations . . .

By A. WILFRED MAY

THE U. S. vs. MR. GUTERMA— Explanation and Implications

As dramatically exemplified in the prosecutions for tax deficiencies of the Al Capones, Owney Maddens, Dutch Schultzes, our law-enforcing authorities are frequently compelled to seek convictions on grounds other than the principal crime actually involved. But now, contrary to widespread public impression, such technical device does not apply to the pending dramatic action by the authorities against Mr. Alexander Leonard Guterma.

A. Wilfred May

The pinning of the Government's action against the Siberia-born, missionary educated, "Junior Serge Rubinstein" who rode into the United States in 1951 on Pakistan jute midst that country's rift with India, on his failure to file the Securities Exchange Commission Form 4 may look like resorting to a technicality. Surprise has been expressed that regional SEC administrator Paul Windels Jr. went to the extreme of getting a warrant for arrest for "mere" non-compliance with the obligation to make "Insiders' trading" reports with the Commission. But, it must be realized, reliance on its form-filing provisions is the only way an administrative agency can directly move against suspected wrongdoing. In the present case, jacking-up the defendent on form-filing is directly relevant to the SEC's principal charges to the effect that Mr. Guterma's books have been in a completely chaotic condition, that stock registration obligations were disregarded, that no stock of any of the subsidiaries can be located except that held by creditors and sellers, and that collateral was diverted through subsidiaries. It will be recalled that in its recent action against Mr. Louis Wolfson, the Commission relied on form-filing as the basis of contradiction with his allegedly fraudulent activities in American Motors stock.

Involvement of Criminal Action

It should be realized that in coping with a case of the present wide scope, limitation of Commission action to the mere injunctive process available to it, is insufficient. The defendant can flee from toothless injunction to injunction. Hence, criminal prosecution is being resorted to, for which the U. S. Attorney's services are required. The SEC itself cannot criminally prosecute. And so it came about that police cars in the dead of night invaded Mr. Guterma's Greenwich, Conn. residence on a complaint bringing *criminal* action for his failure to file the share ownership changes on Form 4.

In reply to this conclusion, it is stated by Mr. Guterma's attorney, Richard H. Wels, that Mr. Windels has grossly exceeded his authority, that it was incumbent on the SEC under the statute to refer criminal action preliminarily for clearance to the Attorney General, which he maintains is not identical with the regional U. S. Attorney, and hence was not done. If it develops that this contention is correct, perhaps it will happen that Mr. Windel's allegation of Mr. Guterma's impending flight to Turkey will turn out to have been a device to justify the criminal action.

* * *

U. S. vs. DU PONT-AND THE STOCK-DISTRIBUTION ANOMALY

Apart from the generally discussed implications of the government's anti-trust action against du Pont, with its persecution taxwise of thousands of wholly innocent investors, an important irony in investment practice is brought to light. We have in mind the investor's habitually illogical reaction price-wise to a substantial supply of an issue. This would, of course, get a hard practical test through the ordered massive distribution of the General Motors stock held by du Pont; comprising the 19-odd million shares belonging to the Christiana group to be disposed of via bloc sale, and the 43 million shares owned by the individual du Pont stockholders, which, over a ten-year period, might also be finally distributed in sizable grouped amounts.

In any event, and irrespective of the size and eventual mechanics of the du Pont-GM segregation, we are reminded of the Wall Street distribution fact-of-life that a sudden expansion of the supply of a stock customarily meets a stimulated demand at a relatively high price. This is evidenced almost unfailingly in secondary distributions in times of market *bust* as well as *boom*, and for the old warhorses as well as new issues (as Ford, whose special grand debut category may disqualify it as a precedent).

The cause of this frequently anomalous popularity of special (secondary) offerings does not lie entirely with the greater liberality of the commissions earned by the salesmen, stimulating as they are to their efforts in that direction. To a great extent it stems from the American citizen's need to be "sold" in lieu of self-propelled buying. As with the "Madison Avenue" pressure in Fuller Brush, cigarette, and cosmetic distribution, this principle extends throughout the investment area. It is clearly evidenced in the case of investment companies, accounting for the constant enormous sales of the mutual funds at a price up to 9% above asset value to cover selling expenses, alongside the similar entities readily available on the Stock Exchange at *discounts* from asset value. Similarly, insurance available to the depositor at the savings bank window for the asking, at a saving of the expense of selling it to him, nevertheless lags far behind sales volume by the pushing salesmen.

The American consumer in all areas willingly pays for being sold!

* * *

THE OVERCAUTIOUS EXPERTS

"No one over the age of 35 has made real money out of this bull market," the saying current in Wall Street, should be amended to include others whose skepticism is based on qualifications outside of personal association with market precedents. Foremost among such sophisticated conservatives are the expert financial writers, whose "costly" prudence is strikingly revealed by the just-announced results of the annual forecasting poll conducted by Eastman Dillon, Union Securities & Co. Conforming to the previous year's experience, the expectations of the writers, so knowledgeable in all the financial facts-of-life, were in every instance way behind the actual event of the intervening 32% rise, from 444 to 588, in the Dow Jones Industrial Average. The mean of all the forecasts was a bare 450, with the highest, that of the winner, a full 23 points below the actual result. (Significantly, Mr. Ben Weberman, the victor, picked the same figure as he had in the previous year's contest).

Similarly in the rail category, the mean of the forecasts was a mere 110, with a high winning guess of 148 against a close of 161. Only in the case of the utilities was there a forecast above the ensuing closing price, although here too the mean of all the writers, at 75, again fell far short of the actual finish at 91.

The over-caution (in terms of short-term market forecasting) of another sophisticated group is revealed in the behavior of the market's short interest. An all-time record high short position (of 1,027,484 shares) is reported by the American Stock Exchange. And on the Big Board there is the sizable outstanding short position of 4,127,940 shares.

Complementing the missing-of-the-boat by the wise ones has been the profitable bullish market participation of the amateurs as again confirmed by the current sales under the Monthly Investment Plan. The New York Stock Exchange announces that the number of Plans started in January were the second highest in history. *To the uninitiated go the spoils!*

* * *

THE RADIO PUBLIC AND INFLATION-DEFLATION

The public's red-hot interest on the inflation question is re-highlighted by the extension of the popular "Meet the Press" Radio-TV program to embrace that topic. Professor Sumner Slichter, foremost creeping-inflation protagonist, was the guest "fall guy" last Sunday. Particularly significant to those monitoring the proceedings was the clearly evidenced debunking of the assumption that only in-flation can be made palatable to the layman. From the reactions of listeners rounded up by this observer, it is clear that national solvency too is appealing —provided it is only that the expounders will bestir themselves to be as articulate as were the program's questioners from the press.

Joins Hayden, Stone Co.

BOSTON, Mass. — Peggy Stemple has joined the staff of Hayden, Stone & Co., 10 Post Office Square.

The State of Trade and Industry

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

The economic recovery, dating from April 1958, is poised for a thrust which will top the previous business highs attained in mid-1957. So states the February "Barometer of Business," the monthly business summary of the Harris Trust and Savings Bank, Chicago. In December, industrial production had recovered 84% of the decline and this month is within about 1% of the February 1957 high. Current dollar spending on production of goods and services is already above the previous high due to not only to increased production but also to higher average prices. But even eliminating prices, it seems certain new highs in physical output will be attained this quarter. Personal incomes are already at peaks after adjustment for price increases but income minus the recession-induced increase in transfer payments (primarily social security and unemployment benefit payments) is still slightly below the previous high. Employment after seasonal adjustment is still 900 thousand persons below the July 1957 business peak while unemployment is up 1.3 million persons. The slowness with which unemployment has declined as business improved has been due to an increase in the size of the labor force, an increase in productivity of labor and capital and a lenghtening of the average workweek of those employed.

As reported by a recent National Bureau of Economic Research study, almost all 25 business recoveries since 1954 have carried to new highs in production, employment and profits. The Harris Bank believes that the present recovery will be no exception. This study points out that the most rapid rate of rise in recovery typically occurs in the initial phase of the upturn and that as previous highs are reached, the rate of rise slows. Much concern has been expressed in recent months because the rate of recovery appears to be slowing. Yet, if history can provide guides to present trends, a slow-up should be fully expected and need not be a cause of immediate concern.

The study also notes that the rate of business recovery tends to be directly related to the intensity of the preceding business decline, i. e., the greater the previous economic decline, the faster the rate of recovery. Since the 1957-58 recession was moderately greater than the previous postwar recessions, it would be reasonable to expect the present rise to be at least as rapid as the two previous postwar recoveries and perhaps slightly faster.

Nationwide Bank Clearings Up 11.4%

Bank clearings in the week ended Feb. 21 will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle" based upon telegrahic 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 11.4% above those of the corresponding week last year. Our preliminary totals stand at $27,125,706,928 against $24,346,062,617 for the same week in 1958.

The telegraphic advices of the "Chronicle" show that the three leading money centers compare as follows for week ended Feb. 21:

	1959	1958	%
New York	$13,975,209,739	$13,415,507,694	+ 4.2
Chicago	1,364,352,570	7,135,355,847	+20.2
Philadelphia	1,201,000,000	962,000,000	+24.8

National Summary of Business Conditions

The following summary of general business and financial conditions will appear in the February issue of the Federal Reserve Bulletin.

Industrial production and construction activity continued to expand in — January and retail sales remained at record levels. Nonfarm employment increased somewhat while unemployment rose about seasonally. From mid-January to mid-February wholesale prices of industrial commodities advanced further. Common stock prices receded from peak levels.

Industrial Production Up 1%: Industrial production rose one point further in January. The seasonally adjusted preliminary index of 143% of the 1947-49 average was less than 2% below the prerecession level in August 1957. Nondurable goods production was 4% higher but output of durable goods 5% lower than in August 1957.

Activity in durable goods industries increased further in January. Although hampered by adverse weather, steel mill operations rose more than seasonally and averaged 74% of capacity. By mid-February operations were scheduled at 84%. Output of aluminum and most construction materials was at advanced levels in January. Production of household goods increased, but a strike-induced shortage of glass, which has continued in February,

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Dangerous Road Conditions Ahead In the National Highway Program

By LOUIS W. PRENTISS, MAJOR GENERAL, U. S. A.*
Executive Vice-President, American Road Builders' Ass'n

$6 billion road construction planned this year will make 1959 the "biggest highway year in history." In stating this, Maj. Gen. Prentiss quickly admits that, even with this 15% increase over 1958, highway contractors still would be operating well below their capacity. The road-building officer warns Congressional action is necessary to avert interruption in 1961 of Federal Interstate Highway System—caused by higher costs experienced than that estimated in 1956 and by restriction of expenditures in any one year to amount available in Highway Trust Fund which is based in part on Federal gasoline tax. The industry's spokesman reviews various solutional proposals and analyzes their requirements.

During our recent National Convention, I had dinner with the editor-in-chief emeritus of one of Dallas' leading newspapers. As we drove from the club back to his home he said, "I can't for the life of me understand how a great public works program so carefully planned as was the National Highway Program can be in serious financial difficulties only two years after it started. What is the answer?" I replied that the answer is simple and I gave him what the income tax people would call a "short form report." My answer to him was, "The program provides for the construction not of billions of dollars worth of roads, but of a specified mileage of roads within a specified number of years and with higher standards prescribed in the law than were contemplated when the original cost estimates were prepared. Congress can't fix the nation's economy so as to insure either fixed costs or fixed income. If Congress wants the program carried out, Congress will have to find ways and means to adjust the financing."

Louis W. Prentiss

*An address by Gen. Prentiss before the Municipal Forum New York, New York City, Feb. 6, 1959.

Highlights of 1956 Act

When the Clay Committee, in cooperation with the Bureau of Public Roads and the State Highway Departments, completed the comprehensive study of the highway needs of our country in 1954, needs expressed in terms of correcting within ten years deficiencies such as inadequate road capacities, dangerous grades, narrow and weak bridges, blind curves, poor lighting, unsafe signing and congested intersections, the startling price tag attached to the package was approximately $101 billion. This study, of course, was not limited to the Federal-Aid Systems, but included the needs of the other city, county and state systems which are financed without Federal Aid. Half of the total, however, or roughly $50 billion, represented the needs of the Federal-Aid Systems and it was this program that received careful study and consideration by Congress in 1955-1956, culminating on June 30, 1956 when the 1956 Federal-Aid Highway Act became law. The highlights of this Act were:

(1) Authorizations over a 13-year period of $25 billion to provide for the construction of a 41,000-mile limited access system of Interstate and National Defense Highways to be financed with 90% Federal and 10% State money.

(2) A recognition of the need to keep construction of the 50-50 Federal-State financed Primary, Secondary and Urban Systems, hereafter referred to as the ABC Roads, in balance with the accelerated Interstate System; hence, an increase in authorization for 1957 of $125 million and an annual increase for 1958 and 1959 of $25 million with the expressed intent to continue this acceleration.

(3) The levying of new highway user taxes amounting to approximately $9.00 per motorist per year over a 16-year period and earmarking the revenue from these and some existing highway user type taxes for support of this program and placing this revenue in a Highway Trust Fund. The total estimated revenue over the 16-year period was calculated to be sufficient to pay for the Federal share of the program at the then estimated cost although the annual income and expenditure would not always be in balance.

(4) The inclusion of the Byrd pay-as-you-go amendment placing the program on a cash basis and completely upsetting the carefully planned authorization schedule.

(5) The call for a new Interstate cost estimate to be submitted by the Bureau of Public Roads in January, 1958.

(6) The directive to the Bureau of Public Roads that it make a comprehensive study of the "Benefits and Beneficiaries" of highway construction.

Many people within and without the highway industry read the headlines stepping up the Federal authorization from $825 million to $2.075 billion in 1957, $2.55 billion in 1958, and $2.875 billion in 1959, and immediately expected to see new roads under construction in all directions. Many of our people over-expanded too soon for a market that didn't seem to materialize. These people didn't read the fine print that said, "it takes approximately 21 months to accomplish the preliminary work before construction can start on a major Interstate project"; or the fine print that said, "our contractor forces with their present equipment have a capability of accomplishing $5.8 billion of net contract construction annually" (in 1955 the work load was $3.6 billion); or the fine print that said, "the new construction equipment including trucks required for $1.0 billion of new construction applies to construction in excess of $5.8 billion annually."

Tallamy's Encouraging Report

However, despite the feeling of many that the program was lagging, Federal Highway Administrator Bertram D. Tallamy reports that it is ahead of schedule. As of Dec. 31, two and one-half years after passage of the implementing Act, the following accomplishments are reported:

Interstate System: Construction completed on 3,159 miles[1] with 2,087 bridges. Cost of construction $945 million. Construction under way on 3,571 miles with 3,758 bridges. Cost of construction $2.3 billion.

ABC Program: Construction completed on 60,112 miles with 10,217 bridges. Cost of construction $3.6 billion. Construction under way on 16,754 miles with 4,002 bridges. Cost of construction $2.1 billion.

Emergency Funds for ABC Roads (authorized April, 1958): Construction completed on 2,688.8 miles with 80 bridges. Cost of construction $59.4 million. Construction under way on 8,394.4 miles with 1,178 bridges. Cost of construction $489 million.

The *estimated capital expenditures* by all levels of government on Federal-aid and other highway systems for the years 1956-1959:

1956—$4.997 billion
1957—$5.605 billion—up 12.5%.
1958—$6.207 billion—up 10.7%.
1959—$7.138 billion—up 15%.

These expenditures, which include the cost of engineering and the cost of right of way acquisition, reflect the constant stepping up of the program.

In January of 1958 the new cost estimates for the Interstate System, up 37% above the original estimates, were submitted to Congress. An analysis of these estimates showed that the increase was due to the following factors:

(1) Construction costs up 12% since 1954.

(2) Nationwide traffic forecast for 1975 up 15% over previous forecast, resulting in more traffic lanes and other facilities, adding 5% to the construction needed.

(3) Requirement of law that local needs be given equal consideration with needs of interstate commerce resulted in a 63% increase in grade separations, interchanges, other structures and frontage roads. This added 15%.

(4) Miscellaneous items such as utility adjustments, lighting and signing added 3%.

(5) The remaining 2% probably covers the increased cost of real

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[1] In every instance the figure for "miles" means project miles; i.e., miles of either grading, paving or clearing, but not necessarily completed usable miles of highway.

The Decided Change Looming in Government Securities Market

By AUBREY G. LANSTON*
President, Aubrey G. Lanston & Co., New York City

Observing that the casual consideration accorded the "soundness of the currency" affects government securities' attractiveness throughout the gamut of maturities, government bond dealer details the changed relationship of the Federal Budget to the government security market. Mr. Lanston's analysis holds that Congress must turn its back on Federal deficiteering as a way of life or else be held responsible for "some uncomfortable developments" in the security market. Unless Congress alters its action, he warns: this will particularly affect long terms; Treasury financing would be no easier in time of business downturn; basic short-term rates would be more vulnerable to wide fluctuation; long term rates will go up faster than they will decline; and commercial banking system would become the only way to finance Federal deficits.

It seemed to me that I perhaps might be more helpful if I painted with a fairly broad brush rather than with a narrow one. I have five things on my mind:

Aubrey G. Lanston

(1) The Federal budget and the government security market; more and more as I see it, developments in the government security market will be related to the outlook for the budget.

(2) I'd like to refresh your memory on the historical results of the government's fiscal policies over a long number of years, specifically from 1789 to date; I think you will find this rather interesting.

(3) I plan to go over the changes that have occurred in the total public debt and in the public's holdings of this debt since the close of World War II; this may be helpful in understanding why, for a number of years, budget deficits had less of an impact on the structure of interest rates than they have had in the last couple of years—and may have from here on.

(4) It then should be worth while to explore the major changes that have occurred in the ownership of the publicly - held debt—for two periods, from the end of the war to the middle of 1957 and from that time through the end of this fiscal year (on a semi - projected basis); this will point up why the shape of the budget for fiscal 1960 and thereafter has become of great importance.

(5) Finally, the relatively heavy financing schedule that confronts the Treasury for the remainder of this calendar year; it is a heavy one even though the underlying assumption I have made is that the budget figures will work out (in actuality) fairly close to the ones submitted by the President —at least, insofar as the calendar year 1959 is concerned.

The Federal Budget and the Government Security Market

We seem to have been entering into a new, different and dangerous kind of government finance. If this proves to be correct, old yardsticks for judging the values of government securities throughout changing business climates may have to be revised.

I think it can be demonstrated that a close interaction has slowly, but persistently developed between what goes on in the government security market and what goes on in Congress regarding proposed and actual Federal spending and in the budget.

It is my belief that from here on we will find that the government security market no longer will reflect largely only the changes that take place in the supply and demand for money, as these are influenced by changes in business conditions and national credit policies—the government security market will become increasingly responsive to the changing status of the Treasury's credit—at home and abroad.

This hasn't been the case for many years, despite the piling of annual deficit upon annual deficit, because no one questioned the credit of this government, and, insofar as the credit of the government is measured only by its liability to redeem its obligations in currency, no questions will arise. However, there does come a time when the purchasing power of the currency in which the government's obligations will be redeemed, or for which they may be exchanged in the marketplace, permeates their market values. Naturally, such an intrusion of depreciating currency values into the market values of the obligations of the government is likely to be greater in the case of longer-dated securities, than in the case of those that are near-dated. But, it also is rather inescapable that when a government (in this case, the Congress) convinces the people that it regards the soundness of the currency as a casual consideration, some of the attractions to invest in its securities are lost, in one degree or another, throughout the entire range of maturities.

Initially, this public reaction may be somewhat obscured because demands for the government's obligations tend to become concentrated in short-term securities. In such circumstances, if the government's needs to finance are large and repetitious—as has been and seems likely to continue to be the case—we eventually find that the Treasury is obliged to confine its financings largely to securities that will mature within a short time. We also are apt to find that the costs to the Treasury and the returns that are available on short-term Treasury securities in the marketplace, will fluctuate more in consonance with the rise and fall of Treasury financing requirements than with anything else and long-term interest rates will increase faster than they will decline.

Responsibility in Deficiteering

Of course, my analysis may be wrong. Before I get through you may decide that it is. But, if I am on the right track then anything less than a clear-cut determination by Congress to turn its back on Federal deficiteering as a way of life may lead to some uncomfortable developments in the government security market.

Any untoward enlargements in the cash needs by the Treasury may result in sharp, overnight increases in short - term interest rates. We might awaken to find far more decisive rejections of a Treasury new issue offering than the mild ones of last August and recently—the latter involving the offer of a one-year security with an interest rate of 3¾%. The Treasury may find, in turn, that it is not so easy to raise attrition money a day or so thereafter.

Such prospects or events likewise would raise some troublesome problems for the Federal Reserve System, for the capital and credit markets in general, for businessmen and the economy as a whole—practical problems and some that might be classified as emotional or psychological. For example, if the Federal Reserve System is able to act with a speed equal to that with which such events sometimes unfold — the first crisis could be stalled in the making. I do not think, however, that it is fair to expect the Fed to be able to foresee and to forestall every such event, nor would that be the end of it. The only means available to the Fed are ones which would involve an expansion in the credit base of the country. To put it another way, the means by which the Fed would meet such crises would be the equivalent of printing currency in lieu of issuing debt obligations.

It is my belief, too, that the attractiveness of Treasury securities already has become so reduced, as far as the public and its savings institutions are concerned, that we may find that a slackening in general credit demands, such as might result from some tapering off or downturn in overall business activity, would improve the outlook for government security prices by little, if at all, and the resulting, larger deficit financing needs of the Treasury would be no easier to handle than they are now. The demand for Treasury securities of intermediate and longer term might increase some, as other demands slackened and the Fed aimed to make credit easier and more available, but the increase in the deficit financing needs of the Treasury would be likely to expand much faster. Commercial banks and, possibly, nonfinancial corporations might be willing "to go" somewhat longer than one year—then—but, altogether, the question would become one of whether the volume of Treasury financing with a maturity of one year or less might not enlarge just the same.

Federal Reserve's Posture

In such circumstances, therefore, there would be every reason to expect that the Federal Reserve System would not return to a posture that might encourage much in the way of lower interest rates; the combined objectives of the Federal Reserve and the Treasury might be to oppose much, if any measurable lowering of money rates in order that the public and its savings institutions might be encouraged to absorb a larger portion of an enlarging deficit.

Now, deficits are not something new to our government. We've had a lot of them, particularly throughout the past 30 years. Yet, we seem to have learned to live with them. During the early 1930's some people who were conservative — perhaps ultraconservative in financial matters, proclaimed that if the government did not stop spending money like a drunken sailor the public debt would hit $50 billion and the country would be broke. That didn't happen. The peak of the World War II debt was reached in February, 1946 — it stood at $279.8 billion. That didn't break us. We've had a number of deficits since then. They didn't break us. and, when it is pointed out that the Treasury will meet with the highest peacetime deficit in its history, it's not unnatural to respond—if one is so inclined: "Who said we're at peace?"

In all events, considering that we have lived through borrowings vastly greater than anyone thought we could, that we have lived with the resulting debt and additional borrowings, too, with only—and I use the word "only" with some hesitation — a modest amount of inflation, considering that the dollar is still worth almost half as much as it was 20 years ago, it also is understandable that some should ask—"Why now, of all times, this emphasis on balancing the budget? Some productive capacity lies idle, we have an undesirably high level of unemployment and consumer prices have leveled off. What inflation would you have us fight?"

The answer is — the psychological reaction to the inflation of all the yesterdays in which this has occurred and the potential inflation that lies in prospect for tomorrow — particularly that which will ensue if Congress fails to repair the finances of this country **promptly**.

The Historical Results in the Budget From 1789 to Date

One of my purposes in refreshing your memory on the historical results of our government's fiscal policies is to remind you that these paralleled, if they did not prepare the way for, the growth of a few small colonies into a great nation within an amazingly short period of time. Let me illustrate for you the kind of fiscal results that accompanied our growth (largely, if not entirely, free of price inflation) into a nation of unequaled industrial and agricultural productive capacity, into a nation whose people long have enjoyed the highest living standards known to mankind while simultaneously, preserving for each individual a maximum of freedom and of opportunity.

Appended is a summary table that shows the number of years in which the Treasury enjoyed a surplus of receipts and the number in which it incurred a deficit, beginning with the year 1789 to date, inclusive. I would like to offer you some additional observations with respect to this record.

From 1789 through 1860—a span of 72 years — the Treasury encountered 24 years of deficit and 48 years of surplus. Actually, the record is much better than you might gain from such overall figures. Successive Treasury surpluses were achieved over spans of eight years, and of nine years, and of 12 years during this period of our history. The largest number of successive deficit years was four. This happened twice, during the years 1812 through 1815 inclusive—the War of 1812—and again in the years 1840 through 1843 inclusive. The latter period, I understand, is sometimes referred to as the Debt Repudiation Depression. There were two other periods prior to the Civil War when the Treasury encountered three successive deficit years. One of these took place in 1847, 1848, and 1849—The Mexican War—and the other in the years 1858 through 1860. The latter followed the depression of 1857.

The Civil War years, 1861 through 1865, were marked by deficits.

Immediately after the Civil War, however, the government put its finances in shape and for a period of 28 years the Treasury had an unblemished record, one surplus after another even through the so-called Secondary Postwar Recession. This began in 1873 and lasted for almost six years.

The Panic of 1893 brought on another period of successive deficits which lasted through the Spanish-American War—six successive years of deficits altogether (1894 through 1899).

From 1900 through 1916, the record was not outstanding, measured in terms of years of surpluses. The Treasury achieved 9 years of surplus and encountered 8 years of deficit. The largest number of successive deficits was 3. There were two of these, too. One followed the Panic of 1907 and the other surrounded the outbreak of World War I. It is worth observing, however, that taking these 17 years as a whole, the Treasury accumulated a surplus of over $100 million.

Nineteen - seventeen through 1919, of course, were deficit years. But, again, right after that war the government set its affairs in order. Eleven successive surpluses flowed into the Treasury for the years 1920 through 1930. These surpluses, as you know, were used to reduce the public debt — rather substantially — and

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*An address by Mr. Lanston before the New Jersey Savings & Loan League, Trenton, N. J., Feb. 16, 1959.

Gimbel—The Merchant With Saks Appeal

By DR. IRA U. COBLEIGH

Enterprise Economist

A swift appraisal of Gimbel Brothers, Inc., a renowned merchandising organization with ascending earning power.

In our free enterprise system the consumer is king. In the final analysis it is his sustained and rising buying power—having the money (or credit) and the disposition or willingness to spend it—that keeps us going in recession, and propels us to new plateaus of prosperity in boom times. A favorite habitat of this consumer in the East and the Midwest is Gimbel Brothers, Inc., a famous department store organization for decades. And our particular thesis today is that, in our surging stock market orbiting around the 600 Dow-Jones level, Gimbel common has been somewhat neglected.

Ira U. Cobleigh

Gimbel is, in reality, three separate store chains. There is the original group of four big monolithic department stores located in downtown New York, Philadelphia, Pittsburgh and Milwaukee, to which have been added eight suburban outlets. There's Saks Fifth Avenue with its sleek main store opposite Rockefeller Center in New York, and thirteen branches serving the fashionable and the opulent from coast to coast with gorgeous apparel, luxury and specialty items. While Saks Fifth Avenue contributes around one-quarter of total sales, it operates on much higher profit margins than the other divisions. Finally there is the Saks-34th Street department store, augmented by two suburban branches, catering to a more cost-conscious middle class clientele.

This huge and quite well balanced chain has been impressively building up its sales with the annual total (fiscal year ends Jan. 31) rising steadily from $290 million in 1954 to about $385 million for 1958. In the same period net earnings have risen from $5.1 million (1954) to approximately $7.8 million last year.

Important in the expansion of sales and conversion of same to net profits has been the suburban store program of recent years. The day has passed when a huge downtown store can continue to reach and attract all of its traditional customers. Millions, both of the well heeled and those more moderately circumstanced have moved to the suburbs, and they prefer to shop there. It's more convenient, parking is easier, merchandise is frequently better displayed, and the suburban stores, being newer, are usually better designed and far more attractive places in which to peer or to purchase. Also in some areas, there's an important escape from city sales taxes.

From the management side there have been powerful reasons for Gimbel's suburban and branch store expansion program. Practically the entire gain in sales (1954/58), cited above was derived from business in the new outlets; and for several years profits from downtown stores (both for Gimbel and its competitors) have been in a down trend. The same ads that sell goods downtown sell them in the suburbs; the same economies from wholesale central buying apply to suburban stores; and the operation of branches has, quite generally, been done on higher profit margins. It takes Gimbel about a year to break in a new store; and in the second year it starts to earn real money.

In addition to outlets already listed Gimbel will have, this year, a new Saks Fifth Avenue shop in plush Palm Springs, Calif.; the Gimbel suburban store at Roosevelt Field, L. I., is being enlarged; and a new branch at Paramus, N. J., (near New York and already the site of one of the largest suburban shopping centers) is scheduled for completion next year.

Since the major enlargement of branch store facilities has occurred in the past five years, a number of them have not been in operation for a long enough period to achieve maximum efficiency and full projected earning power. It takes time to establish a unit, secure a steady retail following, correct inefficiencies in layout, operation, deliveries, display or accounting; and frequently stores have been located in areas where a rising population trend was relied upon to build up sales year by year. For example, in a number of Gimbel store service areas the population has increased by 20% in the past five years. One of the factors in rising earning power at Gimbel's has thus been shrewd and farsighted selection of store sites in dynamically growing communities. The downtown down trend in the City must be more than offset by a rising suburban sales curve.

The steady and quite substantial postwar expansion at Gimbel's has been financed for the most part out of retained earnings, supplemented by mortgages on certain new constructions. There has been considerable discussion about the relative advantages of outright ownership (which ties up capital funds) and rental or leaseback arrangements for store facilities. Gimbel has done some of both, owning 20 of its stores and warehouses and showing net fixed assets of $60 million on its 1/31/58 balance sheet. (These would probably be worth around $100 million on the basis of a current appraisal.) In any event Gimbel spends less than 1% of net sales on rental which is substantially below the average rental ratio for major merchandising organizations.

Capitalization of Gimbel Bros., Inc., is not complicated, consisting of $56,408,000 in debt, $9,831,000 par value of 4½% preferred stock now selling at 93¾ to yield 4.9%, and 1,954,600 common shares listed on the N.Y.S.E. and now selling around 42. The stock had a 1958/9 range between 21⅝ and 42. Assuming a 1958 net of $3.75 a share, GI is selling a little over 11 times earnings and yields, on the basis of the $1.80 dividend, 4.17%. (This compares with a composite Dow-Jones industrial times/earnings ratio of about 20 and a yield of 3.4%.) As a matter of fact department store shares are not noted for high price/earnings ratios, but when you consider that Gimbel may earn as much as $4.50 a share in 1959, and perhaps increase its dividend to $2 or more, there is no reason to regard GI as an inflated market value currently.

There is a cult in Wall Street that always likes to find a comparison on the basis of which a given stock may be deemed relatively cheap or overpriced. In seeking such a comparison for Gimbel common, the issue which comes to mind is Federated Department Stores which today sells around 54 (12 points higher) yet pays an identical dividend of $1.80 and will probably earn no more than Gimbel, on a per share basis, for 1958. Gimbel reported higher per share earnings than Federated in each of the years 1955, 1956 and 1957.

For investors, the Gimbel policy of distributing around 50% in cash dividends has resulted in five dividend increases since 1954 when the regular rate was $1 (as it had been for the five preceding years). This steady rise in stockholder income, made possible by smooth ascent in earning power, is one of the things now bringing a livelier market following to Gimbel common.

Viewing merchandise shares as a whole, 1958 total retail business volume held up remarkably well, exceeding 1957 by a slight margin. The $4 billion rise in consumer buying of non-durables was pretty much offset by a reduction of over $3 billion in durables. Our rising population and per capita income, and the general resurgence of our economy suggests that 1959 will be an excellent merchandising year with durables more widely in demand and the costly appliance price war a thing of the past.

All of which indicates a favorable business climate for the aggressive and well managed Gimbel Brothers organization, and a particularly good year for the Saks Fifth Avenue line of superior and deluxe accessories, modish apparel and resort wear. We don't know what Gimbel tells Macy, but we do know the message it is conveying to its shareholders. Rising retail profits!

Silver Anniversary For J. C. Baumann

NEW ORLEANS, La. — John C. Baumann, proprietor of Baumann Investment Co., Maritime Building, is celebrating twenty-five years in the investment business on March 1st.

N. Y. Security Dealers To Hear Dr. McFarland

Dr. Kenneth McFarland, consultant to General Motors Corporation, will be the guest speaker at the 33rd annual dinner of the New York Security Dealers Association to be held at the Waldorf Astoria on Friday, April 3rd, 1959.

Joins E. F. Hinkle

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — James M. Lynch has joined the staff of E. F. Hinkle & Co., Inc., Equitable Building. He was formerly with Walston & Co., Inc., and Dean Witter & Co.

Louis Niver Opens

BLOOMFIELD, N. J. — Louis Niver is conducting a securities business from offices at 11 Donald Street under the firm name of Niver & Co. Mr. Niver was formerly with Oppenheimer & Co., Moran & Co. and Investors Planning Corporation.

Form Noble, Caloudes

SANTA BARBARA, Calif. — Noble, Caloudes & Co. has been formed with offices at 922 Laguna Street to engage in a securities business. Officers are Jean H. Caloudes, President; T. Preston Webster, Vice-President; and John R. Noble, Secretary-Treasurer.

Dealer-Broker Investment Recommendations & Literature

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

Age of Expectancy—On developments in aeronautics—In March issue of The "American Investor"—American Investor, 86 Trinity Place, New York 6, N. Y.—15c per copy; $1.00 per year. Also in the same issue are articles on **Peninsular Metal Products Corporation, Wood Newspaper Machinery Corp., Saxton Paper Co., Teleprompter, Textile Outlook, Industrial Plywood Co., Daitch Crystal Dairies, Inc.**

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.

Bank Stocks—Analysis of 1958 year-end reports—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Bond Market—Review—New York Hanseatic Corporation, 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.

Business Review—Monthly bulletin—Wells Fargo Bank, San Francisco, Calif.

Economic Conditions in Japan—Quarterly review—Sumitomo Bank Ltd., Kitahama, Higashi-ku, Osaka, Japan.

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 World of Plastics—Review—Bank of Nova Scotia, Toronto, Canada.

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.

Securities Outlook — Review—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Synthetic Fibres—Discussion—National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.

William H. Gumpel's Recommendations—List of stocks—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

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

American Hoist & Derrick Company — Analysis—Harold E. Wood & Company, First National Bank Building, St. Paul 1, Minn.

Applied Science Corporation of Princeton—Analysis—General Investing Corp., 55 Broadway, New York 6, N. Y. Also available are analyses of **Mayfair Super Markets, Inc.** and **North Canadian Oils Ltd.**

Atlas Powder—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are brief reviews of **Clinton Engines, Cudahy Packing** and **Sears, Roebuck.**

Bethlehem Steel Corporation—Analysis—Mitchell, Hutchins & Co., 231 South La Salle Street, Chicago 4, Ill.

Blaw Knox Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **General Tire & Rubber Corp.** and a survey of common stocks of the South.

Brooklyn Union Gas Company — Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Butler Brothers — Memorandum — Walston & Co., Inc., 120 Broadway, New York 5, N. Y.

Canada Dry Corporation—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available is an analysis of **Calumet & Hecla, Inc.**

Celotex Corporation—Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Daystrom, Inc.—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Dominion Bridge Company Ltd.—Bulletin—Osler, Hammond & Nanton, Ltd., Box 924, Winnipeg 1, Canada.

Emerson Electric Manufacturing Co.—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Household Finance Corporation—Annual Report—Household Finance Corporation, Prudential Plaza, Chicago 1, Ill.

Howe Sound Company—Analysis—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

Kerr McGee Oil Industries Inc.—Analysis—Purcell & Co., 50 Broadway, New York 4, N. Y. Also in the same circular is an analysis of **Monsanto Chemicals.**

Merritt Chapman & Scott—Bulletin—Dreyfus & Company, 50 Broad Street, New York 4, N. Y.

Morgan Guaranty Trust Co. of New York—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

John Morrell & Company—Analysis—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

National Cash Register—Bulletin—Reynolds & Co., 120 Broadway, New York 5, N. Y.

New York Trust Company—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Nunn Bush Shoe Company—Report—Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Philip Morris—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Bristol Myers.**

Richmond Homes, Inc.—Memorandum—Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill.

Standard Gilsonite Company — Analysis—Carothers & Company, Inc., Mercantile Bank Building, Dallas 1, Tex.

Stewart Warner Corp.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Sorg Paper Company—Reprint of article—Straus, Blosser & McDowell, 111 Broadway, New York 6, N. Y.

Texize Chemicals—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Title Guarantee Company—Study—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif. Also available is a bulletin on **Nationwide Corp.**

Townsend Investment Company—Analysis—Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Travelers Insurance—Analysis—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa. Also available are reviews of **Gold Stocks** and **Uranium Stocks.**

Tube Investments, Limited — Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Union Carbide Corporation—Annual Report—Secretary, Union Carbide Corporation, 30 East 42nd Street, New York 17, N. Y.

Vanadium Corporation of America—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Wisconsin Bankshares Corp.—Memorandum—Lamson Bros. & Co., 141 West Jackson Boulevard, Chicago 4, Ill.

Our Reporter's Report

Pressure of investment funds seeking employment continues to make itself felt in the seasoned corporate bond market. The effect is lacking in the spectacular which attends current buying in the equity market, but bond yields have been cut back a bit in top-rated obligations.

Several factors are operating persistently to make investors with funds turn to the existing market in an effort to fill their needs. Among them is the knowledge that the Treasury will not be in the market, at least until late March or early April, except for its weekly bill rollover.

For a considerable period now, the corporate new issue market has been anaemic with only an occasional issue of sizable proportions reaching the marketing stage. True, the roster of prospects is growing, but a cautious attitude still appears to rule potential borrowers who seem to be hoping for more auspicious opportunities.

In face of this situation, and with holders of securities loathe to sell even where prices are considerably off the bottoms of late last year, the organizations with money to invest, such as pension funds, trusts and insurance companies, find themselves in a rather trying situation.

They must either turn to the existing market and shop around for their needs or sit idly by in the hope of being able to get a share of new prospects as these are brought to the public offering stage. Meantime, money remains idle which is not what holders of such funds crave.

A Good Barometer

Traders point readily to the improvement that has been underway in the fixed-term security market and are quick to cite as an illustration the behavior of Southern Bell Telephone Co.'s 4⅝% debentures brought out early in December.

Priced for public offering at 101.307 for a yield of around 4.55% to 4.60% at that time, the bonds dragged for a considerable period and gave the new issue market something of a "chill" for a while.

But today this issue is being quoted at 104¼ bid and 104¾ asked. This indicates a net drop of some 30 basis points in the yield level to around 4.25 to 4.30%.

Reflecting the Change

The recent changed position of the general investment picture found reflection in bidding for Illinois Bell Telephone Co.'s $50 million of 35-year, first mortgage bonds which brought out tenders from three groups.

The company awarded the issue as 4⅜s to a group which made the top bid of 100.28. The runners-up sought the bonds, with the same coupon, on a bid of 100.0199, while a third group offered to pay 101.83 for a 4½% interest rate.

Plans for reoffering upon clearance by the SEC, probably today, were indicated at a price of 101 to return a yield of 4.32% to the buyer. Previous financing by this company, two years ago, carried a 4¼% coupon and a yield of 4.17%.

New Issues Still Light

The overall picture has not changed so far as the flow of new offerings into the market is concerned. Again next week, the calendar is extremely thin with debt issues conspicuous for their absence rather than their preponderance.

The major prospect for the week takes the form of an offering of 207,852 common shares of Pacific Power & Light Co., to its shareholders, with bankers due to bid for the "standby" operation on Tuesday.

Beyond that one only a few small equity offerings are slated, with 100,000 shares of Western Casualty and Surety Co. due out Thursday.

Reynolds & Co. Employees Hold Communion Breakfast

More than 150 persons attended a communion breakfast held Feb. 21 at the Downtown Athletic Club, New York City, by the employees of Reynolds & Co., stock brokers and investment bankers.

William Ward, Chairman of the Breakfast Committee, said that this was the first such affair sponsored by employees of a major brokerage house. In the group were 130 of Reynolds' employees, with the balance made up of members of their families and friends.

The breakfast followed 10 a.m. mass at Our Lady of Victory R. C. Church, Pine and William Streets.

Principal speakers at the breakfast were: Rev. William Wood, S. J., director of Jesuit foreign missions, and the Hon. Frank Composto, New York State Senator representing the 13 district of Brooklyn. William Caunitz, of Reynolds, was master of ceremonies.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Joseph Wineapple has become affiliated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Is the Stock Market An Anachronism?

By PATERSON BOND*

Manager, Orvis Brothers & Co., Plainfield, N. J.

Former banker turned stock broker examines the phenomenon and events leading to the current market and its immense strength to see if there are any lessons with predictive value. Mr. Bond doubts high discount rate can curb speculation nor, for that matter, other measures designed to halt future speculative excesses. The writer wonders whether a supply of stocks may develop, as brighter results are being reported, in the Spring of 1959 making the market an anachronism as it was in the Spring of 1958.

The 1958 stock market was, and its 1959 follow through still is, one of the financial wonders of this century. I receive calls from bankers frequently asking about how the market is and when they hear, the most frequent response is an incredulous "What it's still going up?" "How long can it last?"

Paterson Bond

This incredulousness has been widespread. Brokers have certainly shared this incredulity with the bankers and the investing public. It has given rise to quite a few stories. The simplest one is that the only people who have made any real money in this stock market are those who can't read. Another is one on the analysts. Back in the latter part of the great depression, the story goes, analysts found that stocks sold on a ratio of price times annual return. Later as business and market conditions improved, analysts relied on a price times net earnings ratio. When these ratios began to be exceeded, the analysts turned to a price times cash flow ratio. And now they say they sell at so many times value. Certainly the bull market of 1958-9 is a real phenomenon.

Traces Present Market

To discuss the 1958 market it is necessary to go back to the dismal last half of 1957 which helped to set the stage. Money was tight and kept tight during the late summer months of 1957. The stock market started to slip in mid-July while business was still holding very well. Last August and September represented the peak of retail bank loan demand. This demand plus a stern tight money policy created some real problems in the fall of 1957 and this of course was in turn a problem of your borrowers. Nevertheless, money was kept tight in the early fall months. By the end of the year it became fairly obvious that business itself was slipping. We were started on the sharpest recession since the end of World War II. At this point moves to ease the money supply were taken. The first result was to improve the government bond market. This looked to be such a lead pipe cinch that many otherwise very smart people were encouraged to go out on a limb and load up on government bonds on margin and some of them — more courageous than wise — were on very thin margin indeed. For a while in the early part of 1958 this was a very successful operation.

The story was very attractive, with the recession deepening each week, the government would surely be committed to easy money for a long time to come. Aiding and abetting this strong resurgence in Government bonds, out of necessity, were the large City bankers. They had a lot of money around, their demand for business loans was contracting even faster than the recession was, so they offered loans on an attractive basis for the best collateral in the world, U. S. Government bonds. I know some used this fine opportunity to pare down holdings of long end governments.

It perhaps is an indictment of all of us in the financial world that the present situation is all we think of at one time. During this easy money interlude — and we all know now that it was just an interlude — the primary long term trend—inflation and the government's tremendous maturity problem was forgotten. Literally, all we could see was the near term necessity for easy money to combat the recession problem. Inflation was lurking in the background still and no solution had yet been found to lengthen government maturities but we just weren't thinking about this at the time.

The Market That Would Not Collapse

Meanwhile, the stock market was slipping gradually to the lugubrious accompaniment of dividend cuts and omissions. Our young postwar crop of stock analysts who had been weaned on growth and nurtured by burgeoning cash flow went into a state of shock. The downtown psychiatrists must have reaped a harvest. They saw erstwhile pet issues showing sharp earnings decreases and in some instances even red figures. Instead of the usual happy bulletins on unusual buy opportunities some of them spent most of their time selecting especially vulnerable situations. In plainer language that means stocks that are going to go down a whole lot. But no self respecting analyst ever makes that kind of a flat statement. In this atmosphere who could blame the literate for selling stocks short? They did. Professionals, semi-professionals and amateurs combined to make the short interest bigger and more crowded month after month and yet the stock market didn't break wide open. In fact it gave ground very gradually indeed. It made a two pronged bottom between February and April that proved to be a very strong base for what happened later.

Two Groups That Went Wrong

What happened then in the spring of 1958 that provided the solid fuel for the missile-like rise of the latter part of 1958 and 1959 to date? Two groups of wise guys—mostly—had trapped themselves with fine logic but very unhappy results for themselves. One group was those government bond traders on a shoe string. The other group was the stock market shorts.

Business in the meantime had completed an internal shakedown that got costs under tighter control and net income stopped sliding so fast. The easy money policy had proved effective in supplying needed money for the construction industry. The recession was grinding to a halt.

Stock market analysts found some bright spots. The food industry had held up well and had growth prospects. The drug houses were having a good year and were back in their long growth trend. Electronics firms began to get larger commitments in defense funds. Selective buying of importance was taking place in the stock market.

Then the Lebanese crisis came along to remind us all that the Cold War was still with us. The recession had dropped the government tax receipts badly below estimates. The necessity to spend was still being forced on us. Suddenly the truth dawned. In a peace time year there would be a $12 billion deficit. Added to the troubles of too many short maturities here was a necessity to raise $12 billion in new money. The trap was sprung. Treasuries, already soft, plummeted as margin traders were liquidated and the stock market first very selectively and then generally started on the big rise that made history in 1958.

Circular Sales-Income Flow

Looking back the recession itself made quite a contribution to the market rise. Besides adding to the deficit which revived inflation psychology, through cutting down tax receipts and increasing benefit payments to the unemployed, it scared the people of the country. But it didn't scare them out of stocks. People still had large profits and weren't about to pay the taxes on them. Out of the fright came a lot of savings. Since personal income was still at a high level these savings were substantial in the aggregate. Some of this money in a good year would have gone into big tag consumer items like automobiles. But since people were scared they wanted something to fall back on. And over the last 15 years what had been better to fall back on than common stocks? The Mutual Funds had done a big job of educating part of the public that never before had thought of stocks. Government bonds were declining and people just don't like to buy on declines. When stocks started to rise they started to be very attractive. The flight from the dollar and government bonds began among larger investors. Later smaller investors came in in increasing numbers. Other small investors saw stock profits develop at a time when business was still so bad they could hardly believe it and they sold, but each time they sold they had money to invest and since the market kept on going up they turned around and bought again. This is what made for the big volume of trading, and the big volume of trading itself was exciting and this excitement itself attracted more attention and interest.

The government has not been too happy about all this. Nor has the Federal Reserve, nor are the responsible members of the financial community. Not that a strong stock market is not a pleasant thing. To a stock broker, of course, it is literally food and drink, but those of us who live more than one day at a time and especially those of us who lived in the cold and better aftermath of the last big speculative spree have begun to have occasional nightmares.

What Will Be Done?

What is being done and what remains to be done to see that that particular piece of history does not repeat itself? It is not realistic, in my opinion, to expect that the Federal Reserve can use the discount rate as its only effective tool—because of the effects on general business. Right now the discount rate is somewhat out of line with the bill rate and for this reason alone it may be increased from the 2½% rate. But a high discount rate might not put an effective curb on speculation in any event. Adequate yields have not been obtainable from growth stocks for some time. Buyers seem to disregard the yield factor.

What can be done further to halt speculative excesses that may develop? Preventing substitutions in existing loans might be used temporarily but this seems unfair to stockholders. One hundred per cent margin requirement would have little effect: Restraint on a voluntary basis on collateral loans at banks is not feasible in view of the present competitive situation among banks. There may be more scrutiny by the supervisory agencies of "purpose loans" and this might be effective although it would be annoying and there would be a time lag involved.

What we would all prefer is that supply and demand will operate to keep the markets orderly. Just as there developed a demand for stocks as gloomy figures on business were released in the spring of 1958, a supply of stocks may develop as brighter results are being reported in the spring of 1959. And if this happens the stock market will again appear to be an anachronism. It is my opinion that this is what will happen.

*An address by Mr. Bond before the Elizabeth Chapter of the American Institute of Banking, Elizabeth, N. J.

Ohio Val. I. B. A. Group To Hold Fall Meeting

CINCINNATI, Ohio—The Ohio Valley Group of the Investment Bankers Association of America will hold their annual fall meeting October 22nd.

Treves & Co. Admit

On February 26th Marvin D. Kantor will be admitted to partnership in Treves & Company, 1175 Broadway, New York City, members of the New York Stock Exchange.

Freedom of Competition In the Space Age

By GEORGE ROMNEY*
President, American Motors Corporation

Auto industrialist maintains that competitors of General Motors have existed only because General Motors tolerates them. Mr. Romney proposes this precarious situation be ended by breaking GM into two independent companies and that, at the same time, labor be subjected to anti-trust curbs. Charging that our country is confronted with an excess of concentration of industrial power, the industrialist terms his proposal a complimentary and not a derogatory indictment of GM. He also recounts other impressions and conclusions about our economy, the cold war, and undue silence on controversial matters.

Four years ago I was convinced that our company had identified some product problems in the automobile industry. I was also convinced that as the result of our research in product development we had found some new product truths.


George Romney

I have since learned to appreciate even more the importance of the skill which men seek to perfect — the skill of communicating ideas. It is one thing to identify truth and problems and quite another to express them in a way so that others will understand. It took us several years to effectively communicate our product ideas, but we finally made it.

If Americans are to express themselves intelligently about our economic system, they must know more about it. How can they know more about it unless those engaged in it will speak out more fully about the economic facts of life as we experience them?

My personal conviction is that one in a position of business leadership should not excuse himself, for reasons of inconvenience, business pressures, personal obligation or corporate relationships, from speaking out publicly on vital problems that require wider public understanding. Unless those qualified by experience and first-hand observation of problems do speak up, how can the public generally have the necessary facts on which to make intelligent decisions?

Too Much Silence

Unfortunately, there is too much self-imposed silence from business leaders on controversial matters. Unless the informed make it their duty to share their information, the opportunities for social progress will be limited.

I have now been in the automobile industry for about 20 years. During that period I have worked for the entire industry in its cooperative activities, and an almost equal length of time in the competitive arena. Prior to entering the automobile business I had both an exposure to the operation of the Federal Government in Washington and also to the way in which an industrial monopoly functions. I witnessed first-hand the Federal Government's effort to apply the antitrust laws to a company that admittedly had a complete monopoly position in our economy. This experience has brought sharply into focus certain economic truths and economic problems. What I have to say is with a full recognition of the fact that it represents merely my conclusions and my impressions.

While our country was established on sound spiritual, human, political and economic concepts, we are only in the very early stages of realizing the full potentials of these concepts. It took many centuries to establish the principle of religious liberty. We have been working since the founding of the Republic at the problem of establishing political freedom in this country for all our citizens, yet we still have millions not privileged to vote. Our application of the principles of freedom to modern industrialism is only in its beginning stages; America's industrial development, after all, is an event of the last 70 or 80 years. It will probably take much longer to perfect the economic principles that will permit every willing American the opportunity to achieve economic self-realization, than to complete our establishment of political freedom.

Cites Four Principles

Nevertheless, our American economy, which derives its fundamental concepts from our religious and political convictions, has already provided an unparalleled degree of opportunity for individual contribution and self-realization through four fundamental principles:

(1) Competition.
(2) Voluntary cooperation.
(3) Reward related to contribution, and
(4) The distribution of the results of increased productivity or efficiency among consumers, workers and owners.

These principles have not only provided freedom in enterprise but have placed ultimate economic power in the hands of consumers.

As a result of competition, the antitrust laws, the expansion of voluntary cooperation and the division of the fruits of progress between consumers, workers and owners (in the accomplishing of which genuine collective bargaining is a vital means) we have developed an economy of "consumerism," not "capitalism." Our economic system, like our political system, is "of the people, for the people, and by the people."

The development of this unique economy, reflecting the same basic principles as our political framework, was made possible by the antitrust laws and the labor laws. The antitrust laws made competition the primary means of disciplining our economy and protecting the citizen in his economic role as a consumer. However, his economic power as a consumer was rendered ineffective after our industrial development produced large corporations, some of which used their superior economic strength to deprive their unorganized workers of the benefits of an equitable distribution of the results of the enterprise.

A student of our economic picture in the 1920s could scarcely avoid the conclusion that generally the superior economic strength of employers was resulting in a maldistribution of national income. Furthermore, except in isolated instances, employees were denied effective participation in the efforts of the enterprise. The passage of the labor laws and organization of effective unions removed employer domination and abuse of employees as a major obstacle in our development of economic power. This, in turn, produced a more equitable distribution of national income. It seems to me genuine collective bargaining is an essential ingredient in achieving an effective economic role for workers.

Now, at present, America is confronted with both external and internal obstacles.

Externally, we face the challenge of communism. It is not only a military and economic challenge; in its most fundamental aspect it is an ideological challenge as well.

Internally, our development of economic freedom is now threatened by the excessive power of unions. This power, based on the monopoly concepts of our labor laws, has gone well beyond the correction of earlier employer abuses and inequities and has created equally dangerous excesses of its own. The principal ones are the terrific union power principally responsible for recent wage-price increases and the expansion of union objectives into the political area. They are more dangerous than existing union racketeering and corruption, bad as that is. Union use of combined economic and political strength has secured economic concessions for workers that in the last few years have exceeded annual productivity improvement. This trend threatens to make unions the principal beneficiaries and bosses of our economy and nation. It is beginning to cost and price our goods out of world markets and increase imports. An eminent economist, Sumner Slichter of Harvard, has recently described our economy as "laboristic." Fortunately, it is not that yet. Nor is it now capitalistic. It is "consumeristic."

Charges Excess Concentration

Now, unfortunately, America is again confronted with an excess concentration of corporate power. Paradoxically, this now concentration has resulted importantly from the effectiveness of the competitive principle.

The competitive principle performs some vital functions:

It offers the consumer an area of choice. The adequacy of this choice is dependent upon the number of enterprises producing a particular product. This number should be sufficient to stimulate maximum competitive effort in product development, cost reduction and marketing. In the consumer goods field it should offer customers a variety of choice.

Even in the case of an industry with a similarity of product such as the aluminum industry, the government apparently concluded that at least five companies are required to provide adequate competition. During and after World War II, the government broke the monopolistic position of the Aluminum Company of America by using indirect government subsidization to establish four additional aluminum companies. In the case of the automobile industry, the President of the United States, about three years ago, directed the use of Defense Department procurement powers to subsidize the continuation of one of the five remaining passenger car companies.

Now, the competitive principle also enables consumers to reward companies that successfully meet their preferences and reject companies that fail to do so. Through this process, consumers decide which companies and which industries shall grow and which shall be eliminated. Elimination, or economic death, is and should be the penalty of economic failure in a competitive society. It keeps our economy healthy and responsive to consumer desire and need. In the automobile industry, about a thousand companies have been eliminated. Indeed, in most of our basic industries, the competitive discipline of the market place has reduced the number of companies to a mere handful. In the case of the automobile industry, in my opinion, the five passenger car companies left constitute barely the minimum necessary number for adequate consumer choice and discipline.

Yet as long as the competitive principle is operating, there is and always should be the likelihood of further company failures and deaths. Do we agree that consumer choice and economic stimulation are dependent upon an adequate minimum number of competent competitors? Can we further agree that we do not want to moderate the disciplinary function of the competitive principle? And, further, are we convinced that the continued effective operation of the competitive principle is likely to result in further company failures or death? If our answers are yes, then how are we going to maintain an adequate minimum number of competitors?

Can't Expect New Companies

The economic requirements for successful establishment of new companies in many basic industries appears now to be too great to warrant the risk and reward involved. Thus, it is not realistic to expect new companies to be formed to replace companies eliminated through the competitive process.

Certainly, none of the remaining five automobile companies should be guaranteed a continuing existence. I think American Motors' future should depend upon our ability to produce cars and appliances, or render other services that customers voluntarily pay for, in sufficient quantity to maintain our economic life and vigor. If any of us are unable to do this, we should pay the consequences.

In American Motors' darkest and most difficult period, we decided we would either live or die on the basis of our ability to produce and sell products that free customers wanted to buy. We did not seek or obtain special governmental help or subsidization and we were determined not to do so. How can the benefits of a competitive economy be retained if individual enterprises are unwilling to accept the risk of death, and death itself, without seeking political intervention? Such intervention is already gradually substituting public subsidy and control for economic freedom and competitive discipline by consumers.

Five Alternatives

How can we continue to have the benefit of at least five competing passenger car companies? I think there are only five alternatives:

(1) Through the ability of each of the remaining companies to escape economic failure. In light of earlier competitive history, this would appear to be a mathematical impossibility.

(2) The restraint of competitive effort to permit the survival of weaker competitors. To the extent that this practice exists, it deprives our nation and individual consumers of the benefits of genuine competitive effort, and may lose for us the struggle for international leadership. We cannot afford competitive slowdowns.

(3) Government action to subsidize weak competitors. As far as I am concerned, this approach is unthinkable as a matter of national policy. It leads to "statism".

(4) Some form of government regulation. This approach would involve arbitrary government action to preserve marginal or sub-standard producers or lead to industrial concentration and monopoly. It, too, is "statism".

(5) Provision for economic birth as well as economic death. This approach I would like to develop by specific example and recommendation.

First, however, let's review the way in which the principles of consumerism have operated in the automobile industry.

Henry Ford developed the automobile as a basic transportation unit at the time when consumers wanted dependable, low-cost cars. In his historic battle to avoid being throttled through the Selden patent, Ford also helped preserve the competitive principle in our industry.

Ford profits were multiplied by emphasis on adequate vehicle service and his historic sharing of the profit results in the form of lower prices and higher wages. These were among the Ford contributions that enabled the Ford Company to ultimately gain peak penetration of 62% of total industry sales.

The principles of "consumerism" subsequently made GM the world's champion of all industry. Its recognition of the demand for greater comfort, beauty, and convenience in automobiles ended the era of customer satisfaction through low-cost product dependability alone.

Good Deeds and Mistakes

Largely because of Alfred P. Sloan's wisdom, GM, working with other companies, applied its industry leadership to the solution of public problems in the area of safety, highway development, taxation, world trade policy, factory dealer relations, and in many other cooperative areas. Probably no company has contributed more to the development of the science of management, including its adaptation to collective bargaining. With few exceptions, GM followed policies and practices based on overall industry interest and national interest.

The magnitude of GM's contributions to the automobile industry and to American industry generally, deservedly commands great and general respect. Like all companies, GM has made mistakes. However, their mistakes are magnified because of GM's enormous impact on the economy. GM's well-intentioned efforts to establish a formula for equity in the collective bargaining process through the famed "escalator provision for cost-of-living increases" and the "annual improvement factor" have proved to be built-in factors from which serious bargaining begins.

Another mistake was the sacrifice of sound merchandising policies in a short-sighted battle in 1955 for No. 1 sales position. A third was a post-war departure from previous statesmanlike policies in relationships with dealers. A fourth was a hiatus in the traditional GM policy of industry cooperation.

General Motors and the other large automobile companies are to be admired and praised in the main for their contributions and their results. Indeed, the entire automotive industry has demonstrated the possibilities of economic development and "consumerism" that open the door for the greater application of the principles of economic freedom in America.

What need is there then for any basic change in our national economic policy as it relates to industry?

As a result of competitive deaths, many basic industries are now dominated by one, two, or three large companies, and there is growing doubt about adequate competition.

Some people argue that we don't need to be concerned about plenty of competition in the automobile industry and other major industries. I do not agree. To the contrary, I believe the competitive principle has operated in the automobile industry and other industries to the point where excess concentration exists.

Not only has General Motors dominated the industry for the

Continued on page 26

*An address by Mr. Romney before the Adcraft Club, Detroit, Mich., Jan. 30, 1959.

Financing Government and Business in the Days Ahead

By NORRIS O. JOHNSON*

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

New York banker weighs the impact of Government finance on the money market and business finance. Mr. Johnson observes: (1) Treasury decision to pierce 4¼% legislative ceiling would depend on the spending decisions of Congress; (2) Treasury's absence in long-term market could induce a bond price rally; (3) reduced volume of corporate bond flotations could cause heavier flow of mortgage funds; and (4) climate is favorable for private capital financing. Mr. Johnson anticipates acute financial situation, if there is continuing business recovery, as business ceases helping to finance the Federal deficit and competes with the Treasury for borrowed money. The banker deplores anti-recessionary use of spending instead of tax reforms, hopes people will save and Congress will allow higher savings-inducing interest rates so recovery is not thwarted by Federal needs.

We are in the midst of fiscal 1959 which has the distinction of recording a $9 billion increase in Federal expenditures and the largest peacetime deficit in history. As the President sizes up the situation in his budget message, the administrative deficit will be $12.9 billion, the cash deficit $13.2 billion. The natural effect of Federal borrowing on this scale is to tighten the money market, to raise rates and to reduce availability of credit to other borrowers. All these things have happened, though perhaps in lesser degree, so far, than might have been expected.

...s O. Johnson

There are four directly interested parties in the deficit-financing problem; the Congress, which authorized the spending and borrowing; the Treasury, which must raise the money; the market, which must supply the money; and the Federal Reserve, which may have to give aid if the market falters.

What Congress Did

The last Congress, trusting to the wisdom of the Treasury and the resourcefulness of the market, appropriated on a grand scale without reckoning where the money was coming from. An increase in the debt limit to $288 billion was authorized, but not the offer of tax exemptions or any other new features to make U. S. bonds more attractive to the buyer.

The party most personally concerned with — and alert to — the deficit-financing problem was the Treasury Department. The Treasury had its cash balances as high as $10.7 billion late in June, near the close of the '58 fiscal year. The swollen cash balances, at least $6 billion above a normal minimum, reduced needs to borrow during the third quarter when the bond market was undertaking a painful readjustment to the realities of the fiscal situation.

Markets have curious habits, chasing the butterflies of pleasant illusion and then awakening to the facts of life. In May and June, when appropriations were being passed to put government expenditures up around $80 billion, government securities were commanding the highest prices in three or four years. The market, blind to the fact that recovery from recession was already underway, was counting on the Federal Reserve to release more lending power by reductions in legal cash reserve requirements of the banks.

The market was caught napping in June: hence the dramatic swiftness of the declines in government security prices in the third quarter. Market prices had risen to a point where yields had gotten completely out of touch with solid investment demand. The market steadied and rallied in October when yields on long U. S. bonds, below 3¼% in May and June, approached 4%. At the short end of the market, Treasury bill yields moved up from below 1% in June to above 2½% in September, opening up a multibillion demand outside the banks. Currently bill yields are around 3%.

Let us look at the long and short markets independently. We have heard a lot about inflationary psychology and the aversion of people for long-term bond investments. Certainly there is reality to this, at least among what we call sophisticated individual investors. Still the fact is that upwards of $20 billion new money became available last year for long-term investment at interest. Insurance and pension fund accumulations are a main bulwark, providing around $600 million a month. Savings institutions have enjoyed an invigorated growth, helped by advances in rates offered the saver. The increase in savings deposits with banks last year evidently averaged around $500 million a month; the increase for savings and loan associations was about the same size.

We have had, through the recession, a fortified flow of funds for long-term investments at interest. This flow has been the main financial support to the rise in home building; it made possible flotation of a heavy volume of corporate bond issues in the first nine months of 1958. And some residual money was left over for purchases of government bonds.

Favors 4 to 4½% Interest Rate Range

As you know, the Treasury is limited by law to 4¼% on the rate it can pay on bonds. Fortunately the range of 4 to 4¼% is one which has a definite investment appeal. Paper paying 4% put out in 1957 has had a favorable market experience. Four per cent is better than the yield on most quality stocks. It is greater than the experienced rate of depreciation in the value of the dollar. It gives a good margin over rates currently offered on savings accounts and over actuarial rates provided to insurance and pension contracts.

Thus the Treasury had an opportunity in January to cover a modest part of its deficit at long term. It adjusted the amount—$750 million—to what it thought could be absorbed without disrupting the mortgage and corporate bond markets. The opportunity was improved by the lull in corporate needs for borrowing, seasonal slowing in the absorption of mortgage money as cold weather retards building, and normal year-end investment demands.

If the Treasury had not come into the long-term market, the buying power might otherwise have been dissipated in a bond price rally. Although many holders anxious to get out of governments might have preferred this, there is a deeper importance in keeping a deficiteering Treasury in touch with the price of noninflationary finance. In view of the rather modest amount of money involved, the new Treasury 4s of 1980 should not give impetus to further rise in costs of long-term money to corporate borrowers or to the mortgage market. And so long as corporate bond offerings are in reduced volume, there should be a continuous heavy flow of funds for the mortgage market.

Some may feel moved to criticize the Treasury for not seeking several billion at long term. This runs into difficulties on several scores: there is the 4¼% rate limit on bonds, as well as the damage that could be done to the home-building industry in particular, and to the business recovery in general. I do not think that the Congress, the people, or the stock market if you wish, are prepared to arrest the business recovery at this stage. Whether the Treasury will need eventually to pierce 4¼% for long-term borrowings may depend on the spending decisions of the 86th Congress.

Favorable Financing Climate

The business borrower still has a good market for selling bonds. New corporate offerings are a little scarce at the present juncture. And we should not forget that the bull market in stocks affords a rare opportunity for corporations to raise money at reasonable cost on equity issues, a company that later on finds itself short of so-called "permanent" capital will have only its own lack of foresight to blame.

During 1958 corporations replenished their cash positions, previously strained by capital spending. The heavy volume of bond issues during the first nine months of the year came from firms that had not completed financing their capital programs or that wanted to avoid inconvenience from another credit squeeze like that in 1957. Slowing of capital outlays, contracting inventories, and improving profits gave further aid to corporate cash positions as 1958 progressed. These factors held down the seasonal growth in bank loans to business during the fall and also created an enlarged market for Treasury bills. Corporations were in shape to give deficit-financing major help.

The Treasury, as you know, has done the bulk of its deficit-financing at short term. The outstanding volume of Treasury bills has been increased $7.9 billion since June 30 and $3.6 billion more has been borrowed on certificates maturing within the fiscal year. These increased issues naturally have firmed short-term rates. Banks acquire these sorts of securities on initial issue, as underwriters, but the temptation they might otherwise have felt to hang on to them has been discouraged by Federal Reserve discount rate advances from 1¾% in July to 2½% since October.

The rise in Treasury bill yields has brought corresponding readjustments in cost of money borrowed in the commercial paper and bankers acceptance markets. The prime bank loan rate was advanced from 3½ to 4% in September.

As I mentioned earlier, a broad market for short-term Treasury bills appeared as yields moved up to and beyond 2 and 2½%. Nonfinancial corporations, whose holdings of U. S. obligations had dropped to a postwar low of $13.5 billion on June 30, moved up to $13.8 billion in the third quarter and no doubt are much higher now. Foreign and miscellaneous other buyers have come forward to buy short-dated governments as yields became attractive. Probably the slowing of the gold outflow was influenced by the improved returns available on investments in the New York money market.

Anxieties are not unnaturally felt for the months ahead. With a continuing business recovery, business will feel pressures of more needs for cash to finance higher levels of inventory and activity. The situation can become acute if plant and equipment outlays begin picking up in any important way and wage-price spiraling intensifies under boom conditions.

In these circumstances corporations will be competing with the Treasury for borrowed money instead of helping finance the deficit.

The President, as you know, proposes retrenchment in Federal expenditures to $77 billion, equal to revenues optimistically projected. The achievement of this objective would be a great relief to the money and capital markets, which would much prefer to finance industrial growth, home building, and state and local projects.

I dare suggest that we could have stimulated recovery cheaper with tax reforms than we did with unbridled Federal spending. As it is we have money needs of the Federal Government that are inconsistent with full-scale recovery of the private sector of the economy. We can only hope that people will continue to save and that Congress will understand if higher interest rates are needed to fortify the will to save.

*An address by Mr. Johnson before the National Industrial Conference Board Round Table Discussion on the Public Purse: Its Problems and Portents in 1959, New York City.

With Lile & Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—George R. Duffy has become associated with Lile & Co., 1001 East Green Street. He was formerly with Oscar G. Werner & Co.

Support of Businessmen to Help Defend Our Economy

By HON. LEWIS L. STRAUSS*

U. S. Secretary of Commerce, Washington, D. C.
Former Chairman of the Atomic Energy Commission

Admiral Strauss deals directly with two hazards: one, the need for future growth evolving with fiscal solvency and reasonable price stability and, the other, the need for government and business to forge new instruments to combat U. S. S. R.'s slave-economic warfare against legitimate trade. The former investment banker submits a seven-point program of personal action for business headed by suggestion for one-year moratorium on demands for more spending than that allowed in President's budget, even if such programs would help local industry. The Secretary appeals to business to acquaint the public with inflation's tragic consequences.

Almost a century after Lincoln's passing, the nation again is in crisis — this time through the intensified cold war of nuclear-armed Communism overseas and the home-made threat to economic stability and growth.


Lewis L. Strauss

As a representative of another Administration, which was likewise born in a Chicago convention, I assure you that we firmly intend to preserve the strength of the nation by protecting the value of the dollar and—so that Federal finances can be restored to a pay-as-we-go basis—with active help to hold the line on a balanced budget.

At the outset I should say that as Commerce Secretary for not quite three months, I certainly would not pose as an authority on the Department nor as an oracle on the economy. I was in private business for some 30 years. That experience and Department reports and counsel will be the basis for my remarks.

The word "no," used as a restraint on government, appears in the original seven articles of the Constitution 26 times and five times in the Bill of Rights. The Founding Fathers quite evidently had respect for the constructive negative. We need to use it now—as a stoplight on those pressure groups whose fascination for deficit spending, unnecessary programs and government competition with private industry would scuttle prosperity, stunt economic growth and expose us to the disease of inflation.

The propaganda for spending as a policy has its proponents even among economists. One of the most often invoked recently stated: "I believe we are spending too little. A steady increase in government spending, and even more so in private spending, are essential parts of an overall policy to build our national strength."

Edmund Burke once warned, "All that is necessary for the forces of evil to win . . . is for enough good men to do nothing." If good businessmen sit this issue out, all business and the entire country will be the losers because of our abdication or indifference.

As a task force in the battle against fiscal recklessness and inflation, the President recently appointed a panel of Cabinet members, headed by the Vice-President and on which the Secretary of Commerce also serves. Its charge is to study ways to "maintain reasonable price stability as an essential basis for achieving a high and sustainable rate of economic growth"—and then to focus public attention on its conclusions. We shall welcome allies in this campaign of education and action.

We businessmen usually do what needs to be done when we see it clearly. The most formidable obstacle to such resolve is the blindfold. Let us, therefore, examine current conditions, survey the hazards and take a good look at possible constructive action.

Fostering Economic Growth

As the setting for doing so, I would first describe briefly a few of the programs of the Department of commerce designed to foster economic growth.

One of them is the St. Lawrence Seaway. The businessmen of this area are to be congratulated on farsighted plans to take full advantage of this new artery. The potentials of trade are prodigious. Approximately one third of the total world commerce flows to and from the United States. Last year, the volume of our exports and imports was valued at approximately $29 billion — $16.5 billion in exports, $12.5 billion in imports.

Exports in 1957 included more than half of our wheat and cotton, a third of our soybeans and a fifth of our lard output. In fact, total export of farm products could have filled about 3,600 cargo ships. We also sold abroad one eighth of our harvest machines and combines, one fourth of our construction and mining equipment and one third of our civil aircraft production — not to mention other items.

We imported all of our coffee and natural rubber; most of our tin, nickel and newsprint and much iron ore, copper, bauxite and other materials vital to defense and civilian production.

Time does not permit a full catalogue of two-way trade, on which depend the jobs of more than 4½ million American workers. The Middle West has a great opportunity to share this prospect, now further enhanced by last years' extension of the Reciprocal Trade Agreements Act.

Another Commerce Department project designed for national growth is the construction of the great Interstate and Defense Highway System. It is progressing at rates above the straight line schedule.

Recently one of our engineers gave me a graphic example of its magnitude. Steel required for bridges, reinforcing and other needs, he explained, will be equivalent in tonnage to rails for 19 railroad tracks crossing from the Atlantic to the Pacific. It is the greatest public works project in all history. By 1972, the American people will have invested $37 billion in it.

As announced by the President in his Budget Message, the Secretary of Commerce is undertaking a comprehensive study of transportation, including the appropriate Federal role in the entire field. Its purpose basically is to explore feasible ways to reduce or eliminate subsidies and to recommend action needed to make transportation self-supporting, vigorous and dynamic.

Economic growth in the United States has stemmed in large measure from the Patent System which Lincoln described as adding "the fuel of interest to the fire of genius."

Lincoln, himself, invented a device for buoying vessels over shoals and received Patent No. 6,469, dated May 22, 1849. Its model, said to be whittled by his own hands, was placed on display at the Smithsonian Institution in Washington in honor of his birthday.

The Patent Office is another of the responsibilities of the Department of Commerce. Around 7,000 patent applications were filed at our Patent Office in December alone.

The forward thrust to the economy supplied by research and invention is well illustrated in a statement by Ralph Cordiner of the General Electric Co., who said that approximately one out of every three G. E. employees works today on products that did not even exist 20 years ago.

I join with businessmen in saying: Keep our government from spending beyond our means, give our free competitive enterprise system its head, resist overloading it with unnecessary burdens and our economy will grow, supplying our people with continual opportunities for betterment and personal well-being.

Unfavorable Growth Factors

At this point, let us turn to a brief examination of factors which can have an unfavorable impact on our growth, some developed by the Communist offensive, others proposed by a few of our friends who preach the incredible doctrine that it is more blessed to be in debt than solvent.

Recently, we witnessed both the carrot and stick of Communism. We read Comrade Khrushchev's boast at the 21st Congress of the Communist Party. We have observed at first hand Mr. Mikoyan's hard and soft-sell tactics.

Mr. Khrushchev resorted to the crystal ball rather than to reliable records in describing his latest 7-year Plan. He assumes that by 1965 the Communist bloc will produce more than half the world's industrial output and by 1970 the U.S.S.R. will surpass the physical volume of U. S. production. Similar chest-thumping preceded the five previous plans, none of which hit the mark.

He boasted also that the Soviet annual rate of future industrial growth will be much faster than ours. It is an economic axiom that high percentage rates on growth should be considered in relation to the base. For when expansion starts from a low base figure, the rate of climb can appear high though the increments are small. Volume is a better foot-rule in estimating growth.

For instance, the Soviets boast that the annual rate of growth of their steel industry is faster than that of our more mature, more massive industry. Their actual capacity, however, looks much less formidable.

In 1929, when Russian output was 5½ million metric tons, our steel industry's output was equivalent to 56 million metric tons. Since then, we have added millions of tons more to our steel-producing capacity than have the Russians.

The target for tonnage-increases in steel-making capacity announced by the Soviets from 1949 through 1960 would add 42 million metric tons to their previous capacity. Meanwhile, since 1949 the United States has already added 58 million U. S. tons to its steel-making facilities up to January, 1959. And by the year 1965, when the projected capacity of the U.S.S.R. may be estimated to reach a total of 95-100 million tons, our Department's Steel Division estimates U. S. capacity to be in the range of 170,180 million tons.

Mikhail Aleksandrovich Suslov, a member of the Soviet Presidium, is reported to have told the Mos-

Continued on page 22

*A talk by Mr. Strauss before the Chicago Association of Commerce and Industry, Chicago, Ill., Feb. 11, 1959.

From Washington Ahead of the News

By CARLISLE BARGERON

The Taft-Hartley Act passed in 1948 and which caused the organized labor leaders to scream to high heavens that it was a slave labor law, has proved in practice to be anything but that. It probably has some aspects of slavery but not the kind which labor meant.


Carlisle Bargeron

For one thing, the organized labor movement has had the greatest increase in membership that it has ever known. Its union coffers are bulging at the seams. It has just had its most successful year in politics.

But one thing the Taft-Hartley Act has made possible is the hoodlunism and gangsterism which the McClellan Committee has exposed. Under the banner of organizational picketing which the Taft-Hartley Act authorizes, it is possible for a man with a set of stationary to set up a paper local and then just walk in and demand that the employer deal with him. It may be that the employer does not employ anybody but he operates a music box, or as they are better known, a juke box. If the employer does not deal with him, give him a percentage of the profits from the machine—in some instances half—he will find himself picketed by so-called members of a labor union. They don't belong to any labor union.

They just march up and down in front of the employer's premises and say that he is unfair to organized labor. If this doesn't succeed in closing out the operator then a beating or a bomb is in order.

The McClellan Committee has found that practically every tavern or restaurant or soft drink emporium in the East, in Chicago and other thickly populated centers is the victim of these underworld characters. In some instances — many instances — the operators of the machines have connived with the underworld character, posing as a union leader, to restrict trade. In other words, he plays ball with the "union" leader and the "union" leader agrees to restrict the number of machines that can be located in a certain neighborhood.

Anything a union does nowadays is in behalf, purportedly, of the so-called working man. In this juke box racket, the only working man will be the proprietor and maybe a bartender or two who belongs to the bartenders union.

The teamsters, of course, have operated on this basis. They never try to sell the truck drivers on the merits of unionism. They simply visit the employer and make a deal with him or else.

The Kennedy-Ervin Bill, which is the only labor bill that stands a fair chance of passage at this session, seeks mainly to deal with the union's welfare funds. Organized labor has said that it would accept this bill. It only scratches the surface of the wrong-doing in labor. The Administration is insisting that the secondary boycott be outlawed as well as the so-called organizational picketing. It would provide that a certain percentage of members must signify their desire to belong to a union before a picket line can be established.

Organized labor is fighting this to the bitter end. Why should it be possible for a union to throw up a picket line around a man's business with a view to forcing the employees to join up? In some instances the union doesn't like an employer's political philosophy.

But as of this writing, the Administration Bill has very little chance of pasasge. The idea is to pass the relatively mild Kennedy-Ervin Bill and then have the word go out that the Congress has passed labor reform legislation. The Congress will then rest on that.

Senator Kennedy insists that his bill be passed and that other reform legislation subsequently be taken up. He is an influential member of the Senate Labor Committee and the chances are the additional reform legislation would never see the light of day.

That is the reason the Administration is insisting that the bills be considered together. Once they are separated the chances of any real legislation affecting labor are nil.

Senator Kennedy is generally looked upon as a Presidential candidate, and the Democratic candidate will depend largely upon the labor vote. It is understandable that the Senator would not want to incur labor's disfavor. But the organized labor situation smells to high heaven as a result of the McClellan Committee disclosures. Are we to spend all this money and time on the McClellan Committee with no remedial legislation to follow?

Daniel A. Piedimonte With A. C. Allyn Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Daniel A. Piedimonte has become associated with A. C. Allyn and Company, Incorporated, 101 West 11th Street. Mr. Piedimonte was formerly with B. C. Christopher & Co. and prior thereto was manager of the trading department for Barret, Fitch, North & Co., Inc.


Daniel Piedimonte

Two With Jamieson

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Jack S. Rice and Richard L. Randall are now with Jamieson & Company, First National Soo Line Building.

Form R. C. Crisler Co.

(Special to THE FINANCIAL CHRONICLE)

CINNCINNATI, Ohio — R. C. Crisler & Co., Inc. has been formed with offices in the Fifth Third Bank Building to engage in a securities business. Officers are Richard C. Crisler, President and Treasurer; Paul E. Wagner and Stanley S. Straus, Vice-Presidents; David G. Gamble, Secretary; and Janet M. Huber, Assistant Treasurer.

Threshold of Danger to West: Will Britain Grant Credits to U.S.S.R.?

By PAUL EINZIG

Dr. Einzig is fearful, for various reasons he provides, that Mr. Macmillan will come back with a trade agreement with U. S. S. R. entailing granting of credits. The London reporter indicates economic and political disadvantages that far outweigh immediate advantages that may be derived from such a transaction, and recalls similar situation of twenty years ago concerning Hitler's professed desires. Stress is placed on unwillingness of all but governmental sources of credit facilities to provide credit, and suggestion is tendered for U. K. to offer U. S. S. R. all the trade she wants up to the amounts of private credit that can be obtained.

LONDON, Eng.—An article appearing on the City page of "The Times" on Feb. 19, dealing with the outlook for Anglo-Soviet trade in connection with Mr. Macmillan's visit, foreshadowed the possibility of financing exports to the U.S.S.R with the aid of credits. Apparently in recent months tentative approaches have been made by the Soviet authorities in London concerning trade credits. A similiar approach, made by Mr. Mikoyan in Washington on the occasion of his recent visit, met with categorical refusal. There is nothing definite up to now to indicate what the official British attitude would be in respect of a request for credits. The "Times" points out that under existing arrangements there is nothing to prevent the Export Credit Guarantees Department from guaranteeing credits given by British exporters to Soviet Russia.

Dr. Paul Einzig

Official circles are rather noncommittal when sounded in respect of their intention. The officials who accompany Mr. Macmillan to Moscow include a representative of the Board of Trade, the department under whose auspices official export guarantees would come. His presence does not in itself indicate, however, that the subject of credits would be raised. It only confirms that an attempt will be made to increase the volume of Anglo-Soviet trade.

Offset Export Decline Elsewhere

The British press published some exaggerated forecasts about prospective increases in that trade that is supposed to be envisaged in official circles. The figure of £120 million was mentioned, but Mr. Macmillan, when questioned in the House of Commons, conveyed that this was only newspaper talk. Even so, there can be no doubt that he is very anxious to bring back from Moscow a trade agreement leading to an expansion of British exports to Russia. Exports to many overseas markets are expected to decline during 1959. Having regard to the recent increases in unemployment, the authorities are very anxious to offset this trend as far as possible by conquering new markets. Until recently, Mr. Macmillan was of the opinion that a trade recession could be easily brought to an end solely by means of reflationary measures, but experience during the last two months or so appears to indicate that this is not so easy as it was expected to be. So it would not be surprising if Mr. Macmillan were to make a considerable effort in Moscow to secure an increased market for British goods.

The difficulty is that there is not much scope for an increase of British imports of Russian goods. That being so, the question of financing a British export surplus to Russia by means of credits might conceivably arise in the course of the negotiations. There will be a strong temptation for Mr. Macmillan to agree to a solution under which the granting of credits by British exporters would be encouraged by means of the application of the official credit guarantee scheme to export to Russia. It is to be hoped, however, that Mr. Macmillan will resist such a temptation. Such immediate advantages as might be derived from increasing exports on credit terms would be heavily outweighed by economic and political disadvantages.

Recalls Twenty Years Ago

The situation bears much similarity to that of 20 years ago, when shortly before the war Germany made efforts to secure British credits. By that time German industries were heavily engaged in preparations for war, and their capacity for producing goods for civilian requirements—whether at home or for export—had become reduced. Having to choose between "guns and butter," Germany chose the former. But any substantial credits abroad would have enabled the Nazi regime to provide Germany both with guns and butter. It would have facilitated the task of rearmament. At the same time it would have enabled Germany to intensify the bloodless economic penetration into Southeastern Europe that was proceeding.

History is repeating itself. In Soviet Russia too, the volume of consumer goods is limited because a large proportion of the country's resources is used for military purposes and for the requirements of the economic cold war. Since the Soviet Government is determined to pursue economic cold war by means of offering credits to uncommitted countries, some proportion of its resources have to be diverted both from guns and butter. Notwithstanding constant pressure from China for increased economic assistance, by no means inconsiderable, resources are found to serve the purpose of economic penetration in underdeveloped countries in Asia and Africa. Such resources could be increased if the Soviet Government succeeded in securing credits from abroad. Alternatively, the economic cold war could be pursued without unduly reducing the resources available for military production, civilian requirements and assistance to China. In either case, the free world would suffer a disadvantage, as a result of the increase of the power and influence of the Communist group of countries.

In the absence of official facilities the Soviet Government would stand no chance of obtaining credit in Britain. No matter how anxious British firms would be to secure new markets, none of them would be prepared to risk losses arising from cancellation of orders by the Soviet Government. Even on the basis of cash payment on delivery the acceptance of large orders from the Soviet Government entails considerable risk, unless the Soviet Government is prepared to arrange "confirmed credits" covering the grand total of the orders placed. Under that arrangement a London bank would guarantee the payment for goods on delivery. Such a guarantee is only given, however, if the London bank itself has adequate security from the Soviet Government.

Offers Suggestion

Even such an arrangement does not provide absolute safeguards against losses if the execution of Soviet orders should necessitate the installation of machine tools and other costly capital equipment which would only be suitable for the production of goods for Russian specifications. If in addition there is also a credit risk then British firms would be very unwise if they yielded to the temptation of expanding their markets in Russia. So if Mr. Macmillan wanted to decline Soviet request for credit without causing offense, all he would have to say is that there would be no official objections to private credit arrangements, provided that the Soviet Government is able to obtain them.

Chicago Analysts Revise Meetings

CHICAGO, Ill. — The Investment Analysts Society of Chicago has announced the following revised schedule of luncheon meetings to be held until June:

Feb. 26 — Warren B. Hayes, Pacific Semiconductors, Inc., who will speak on "Investor Evaluation of the Electronics Industry."

March 12 — The Trane Company, D. C. Minard, President.

March 26 — Forum on the automobile outlook, Chairman — Bill Maas.

April 2 — All day field trip of Sundstrand Machine Tool Co., at Rockford.

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

April 23 — Texas Instruments, J. E. Jonsson, Chairman, P. E. Haggerty, President.

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

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

May 21 — National Gypsum, Melvin H. Baker, Chairman.

June 4 — American Telephone, John J. Scanlon, Treasurer.

Pension Planning Seminar to Be Held

The Pension Planning Company will hold a one-day seminar on pension and profit-sharing plans on March 19th, 1959.

Bank Fiduciary Fund Names Hauser Pres.

Alfred H. Hauser has been elected president of the Bank Fiduciary Fund. Mr. Hauser is vice president of the Chemical Corn Exchange Bank.

The Fund provides a legal investment medium for trusts, estates and guardianships which are administered by banks in New York State.

Milwaukee Bond Club Meeting and Election

MILWAUKEE, Wis. — The Milwaukee Bond Club will hold its annual meeting and election of officers on Feb. 27th at the Pfister Hotel. Marshall A. Loewi, Loewi & Co., Incorporated, is chairman of the arrangements committee. Tariff is twenty dollars.

Pricing for Profit in a Competitive Market

By DR. JEROME B. COHEN*
Professor of Economics
Bernard M. Baruch School of Business and Public Administration
College of the City of New York

Practical price considerations, with emphasis on excess competition and the danger of pursuit of volume for the sake of volume alone, are reviewed by Dean Cohen prior to presenting his analysis of the outlook to the midyear and beyond. The anti-trust economic specialist evaluates the pluses and minuses in the foreseeable future and adopts a cautious prognosis. He expresses misgivings as to whether we will take necessary anti-inflation steps and fears that if mid-year decisions are inflationary the inflationary psychology will spill over from the securities markets into the commodity markets. Concludes the outlook seems clear to mid-year but somewhat cloudy thereafter

In a decision on taxes, Justice Learned Hand once held: "Nobody owes any public duty to pay more than the law demands." There is nothing in the anti-trust laws or trade practice regulations, which requires an industry to drive itself out of business. At a time when an average corporate bond yields 4.5 percent and many sound ones can be purchased to yield 5 percent, an industry which averages only 5.5 percent return on total investment, ought to pause and consider the question of excessive competition. If it were to withdraw its capital, invest it, and then sit in the sun and relax all year and do nothing, it would realize as good, if not a better return.

Pricing Principles

Pricing is a major area of decision of any firm. In some industries, where sellers are few and large, prices are established to achieve a target return on investment, or by a recognized price leader. In others, where the number of sellers are greater, pricing to meet or follow competition is found. There is the extreme market structure, an industry of many small sellers, no one of which has the power to set or determine price. The price seems to be determined by and in the market. This is pure competition in the classical sense. It is not characteristic of very many segments of American industry. Or as someone put it, "things aren't what they used to be and never were."

In pricing decisions, the large firms in less competitive industries tend to take a longer view than do the many smaller firms in a highly competitive industry. Maintenance of the price structure in the industry is more important, has a more significant impact on the annual earnings record, than pursuit of a particular order at a given time. An industry may be too competitive for its own good where the little fellow will do anything to get a certain order. Profit margins will be eroded. The financial position of the companies in the industry will weaken. There will be no funds for product improvement or for basic research. The industry will be unable to pay for or attract the best talent and it will fall behind. Actually most prices in our economy are administered and most markets are imperfect.

Danger of Volume Operations

In a growth industry it is only natural that a smaller company, not watching or perhaps not even knowing its costs, will be tempted to go after volume. Putting orders on the books often makes a businessman feel he is accomplishing something. If you can raise this year's volume to $8 million compared to $6 million last year, there is the compulsive urge to take orders, build volume, unfortunately all too often regardless of price and of profit. In a free enterprise economy driven by the profit motive, it is frequently surprising how many firms book profitless business. Why, because they don't really know their costs.

In his stimulating book "The Affluent Society," Professor John Galbraith has a chapter on "The Concept of the Conventional Wisdom." In it he says: "No society seems ever to have succumbed to boredom. Man has developed an obvious capacity for surviving the pompous reiteration of the commonplace."

Perhaps it is a pompous reiteration of the obvious for me to suggest that there is no law which requires a firm to go after volume which yields no profit, that there is no law which prevents it from understanding what its costs, and those of competitors, really are, and pricing for profit accordingly.

In commenting on the cement industry which was once the subject of extensive anti-trust prosecution, Dr. Simon Whitney, now chief economist for the Federal Trade Commission, declares in a recent book:

"The competitive situation in cement, once kept in check by the basing point system, is now controlled only by the self-restraint of the individual companies. Price competition is not important . . . Profits are very high today in relation to net worth, but over a long span of years they have not exceeded the average for all manufacturing industries. . . . In brief, the cement industry is one in which sheer self-interest operates to minimize active price competition under all except desperate circumstances. . . ."

In their study of "Pricing in Big Business," Kaplan, Dirham & Lanziletti declare:

"It goes without saying that open collusion with rivals is never considered as a possible pricing policy. The mechanisms for avoiding direct price competition have therefore taken shape as rules or reflexes applied independently, but as part of an industry pattern, to minimize price conflicts."

Advises Comparison With Industry

A trade association can provide a detailed analysis of operating ratios, of costs and profits of a most representative sample of companies in that industry. Study the most profitable group of companies. A firm can use their figures as yardsticks for its own planning and pricing; study the points of difference between the most profitable and the least profitable companies; and improve operating procedures by comparing its own figures with those of the best companies in the industry. The inefficient company's pursuit of volume, in ignorance of its real costs won't help it any but will only hurt the whole industry. It's perfectly legal to make a 10% net profit after taxes on sales. It's perfectly proper not to bid or go after an order if the price you have to offer doesn't yield say a 10% net profit. As growth industries level off, mature and stabilize, price and profit stability come to be regarded as increasingly important. Their achievement comes with the increasing acceptance of the notion that great activity and effort for little reward isn't very business-like.

"We should all be concerned about the future," Charles Kettering once said, "because we have to spend the rest of our lives there." Naturally when you invite an economist to talk to you, you want not business advice but rather his stock in trade—an economic forecast.

1959 Forecasts

The beginning of the year forecasts have been uniformly optimistic but temperate. One leading investment service declares:

"The question naturally arises whether the year ahead will witness an upsurge comparable to that of 1955, the previous recovery year. In 1955 Gross National Product rose almost 10% over 1954, industrial production rose 12% and corporate net earnings rose 37%.

"We believe 1959 will surpass 1955 in some respects although it may not be as exuberant."

A leading bank writes:

"The outlook for continuing gains in business activity in 1959 is generally promising. The rise may not be as spectacular as in the 1955 recovery, but this could prove a blessing since the 1955 superboom produced troublesome distortions. By the end of 1959, GNP could easily be running at $475-480 billion, 5% or 6% above the present rate."

Another leading bank declares:

"The four major ingredients of recovery — inventory changes, home building, consumer spending on nondurable goods and services, and government purchases—are expected to bring further expansion in 1959, although not necessarily as rapidly as in 1958."

Author Stresses Caution

Other forecasts run in the same tone. Some are positively exuberant. I would stress caution. While GNP, due to the higher price level, may well hit an all-time high of $470 to $480 billion, there are important differences between 1955 and 1959. Then there were raw material and industrial capacity shortages. Today raw materials are in ample if not excess supply and prices reflect this. Industrial capacity, having been expanded sharply over the past few years, is now not only adequate but is not yet being utilized to full capacity. Labor was tight in 1955. Today unemployment is probably close to 5 million. Consumers bought 7.2 million automobiles in 1955. If they buy 6 million in 1959 the industry will be fortunate.

What are the plusses and minuses of the situation?

First on the list on the favorable side is consumer spending; much of the credit for the brevity of the 1957-58 recession must go to the strength of consumer expenditures. Except in the hardgoods area consumption was well maintained. It is expected that with personal income running at a new peak consumer spending will expand further this year and this is the basis for much of the optimism. But there are other factors. Construction outlays are expected to set a new record in 1959, but credit restrictions may limit the year-to-year gain to 5%, scarcely comparable to the 1955 surge. Federal, state and local government spending are likely to rise to new peacetime peaks.

The question marks are in consumer durables, business capital outlays, inventories, and exports. There is no evidence as yet of any upsurge in consumer purchases of hard goods. It may indeed come but it hasn't as yet.

Weakness in business investment spending accounted for a substantial part of the recent recession. Business plant and equipment outlays which were $37 billion in 1957 and then dropped to about $30 billion in 1958, have now apparently bottomed out but recent surveys give no indication as yet of any vigorous upturn. The Federal Reserve Bank of New York said in its latest monthly review: "Economic expansion vigorous enough to take up the slack in unemployment remaining from the recession will heavily depend on a rise in business capital spending." We do not yet have any indication that business is planning a substantial increase in plant and equipment expenditures in 1959.

Equal business caution seems to be exercised in rebuilding inventories. Thus far it would appear that this is being done with considerable care. By the end of 1958, liquidation had about come to an end and while recovery typically produces inventory accumulation it is still too early to say how far this will go and at what rate.

In some areas we seem to be in danger of pricing ourselves out of the export market. Exports were off some $3 billion in 1958 and there is no indication that there will be any recovery in this area in 1959. Indeed, if prices continue to rise, our commercial export volume may sink lower.

Oncoming Labor Negotiations

We are now entering the period of the year when business seasonally is poor. Normally unemployment reaches its yearly high in the first quarter. Consumer buying of durables falls off. Construction is curtailed by the weather. But then the Spring pickup usually follows and this year it looks as if it might produce some new economic highs—in consumer spending, in industrial production, in construction and in retail trade. A momentum seems to have developed which may carry up until the time of the likely Steel strike at mid-year when the present contract runs out. Whether the wage-cost-price spiral will receive new impetus depends in part upon the outcome of this negotiation. If a wage increase of substance is granted and then passed on in the form of higher steel prices, demand for wage increases in other industries are not likely to be resisted. There are other important negotiations due in aluminum, meat packing, railroads, as well as steel. The inflationary pressure will mount and there will be a renewed squeeze on profit margins.

Another factor which makes the outlook beyond mid-year troubled is the problem of the Federal Budget. Currently the $10-$12 billion deficit is a large factor in the disturbing inflationary environment. Congress is likely to press for more spending. The President will try to hold the line for a balanced budget. Should Congress prevail, the spread of inflationary anticipations may retard economic growth by discouraging business investment expenditures. If costs continue to climb, businessmen would not be illogical in deciding to postpone expansion or even replacement plans.

The opportunity will again present itself about mid-year to take inflation in hand and re-establish stability for steady and sustainable economic growth. Personally, I doubt, however, that we will do it. Just where does that leave us? Thus far the inflationary psychology has been confined mainly to the securities markets. But if the decisions at mid-year are inflationary, as is likely, then it may spill over into commodity markets, and into business inventory policies, out of which can only come in due course an even more severe business setback than that from which we have recently emerged.

Thus the outlook seems clear to midyear but somewhat cloudy thereafter.

*From a talk by Dr. Cohen made at the National Flexible Packaging Association, New York City, Jan. 20, 1959.

NASD District No. 5 Elects Officers

JACKSON, Miss.—Edward S. Lewis, Jr., Senior Partner, Lewis & Company, Jackson, Miss., was elected Chairman of District

...d S. Lewis, Jr. Mortimer A. Cohen

Committee No. 5 of the National Association of Securities Dealers which comprises the states of Alabama, Arkansas, Louisiana, Mississippi and a part of Tennessee. Mortimer A. Cohen, Partner, Sterne, Agee & Leach, Montgomery, Ala., was elected Vice-Chairman. Ralph L. Atchison, with the NASD office in New Orleans, is District Secretary.

Women Shareholders Luncheon Discussions

The first of the annual spring series of luncheon discussions on **Current Events and Your Investments** will be held Saturday, Feb. 28, by the Federation of Women Shareholders in American Business, Inc., at the New York University Club.

A. W. Zelomek, President, International Statistical Bureau and author of "Changing America" will speak on "How Changing America Affects the Stock Market."

Alpheus C. Beane, directing partner of J. R. Williston & Beane, the "Beane" formerly of "Merrill, Lynch, Pierce, Fenner & Beane," will speak on "The Stock Market — As I See It."

Wilma Soss, President of the Federation of Women Shareholders NBC analyst on "Pocketbook News" will be moderator.

A. Wilfred May, executive editor, *Commercial and Financial Chronicle* will be a guest of honor.

Men are welcome. Proceeds go to eliminate financial illiteracy among women.

F. Eberstadt & Co. As Financial Advisor

F. Eberstadt & Co., it was announced on Feb. 24, acted as financial advisor to Atlas Powder Co., in connection with its investment in Solar Nitrogen Chemicals, Inc. The latter corporation was formed by Atlas Powder Co. and Standard Oil Co., (Ohio) to make agricultural and industrial chemicals.

Solar Nitrogen will acquire ammonia and related petrochemical facilities at Lima, Ohio, of Sohio Chemical Co., a subsidiary of Standard Oil Co. (Ohio), and will take over Sohio's business in these products. Sohio will continue to operate the plant and act as sales agent for Solar Nitrogen Chemicals, Inc.

Earle H. Rodney

Earle H. Rodney, partner in Hayden, Stone & Co., passed away Feb. 17 following a long illness.

Free Society's Education In an Age of Change

By BRIG. GENERAL DAVID SARNOFF*
Chairman, Radio Corporation of America, New York City

Industrialist specifies what we should consider and do to improve our educational system. Mindful of such spectacular postwar developments as nuclear energy, electronics, automation, outer space, new materials, population explosion and Communist growth, Brig. Gen. Sarnoff warns against "aping" the Russian educational system's overemphasis on technical training. The RCA Chairman maintains our victory in the cold war requires much more than marginal use of our energies and resources. He declares victory requires as vast and inflexible dedication as the enemy's, and a facing up to the sacrifices and the risks involved.

I came across the eloquent summary of the aspirations for Brandeis University made at its inaugural services ten years ago by its distinguished and scholarly President, Dr. Abram L. Sachar. One paragraph seemed to me cut to measure as a text for the few thoughts I intended, in all humility to present here. "Brandeis University," he said, "will be a school of the spirit—a school in which the temper and climate of the mind will take precedence over the acquisition of skills and the development of techniques. Unyielding in the face of the defeatism which is inherent in various phases of nihilism, Brandeis will be the dwelling place of permanent values—those few unchanging values of beauty, of righteousness, of freedom, which man has ever sought to attain."


David Sarnoff

For more than half a century I have been busy with "the acquisition of skills and the development of new techniques." It may seem paradoxical, therefore, when I say "Amen!" to Dr. Sachar's sentiments. But the paradox is more seeming than real.

Those of us deeply engrossed in science and technology sometimes discern, even more clearly than outsiders, the danger that man may become the slave, rather than the master, of the tremendous physical forces he is now unleashing. Precisely because this is a time of tumultuous and rapid change, we feel the need for steadying certainties. We need the solid anchors of time-tested human values which do not change.

Change—The Keynote of Our Time

Change has come upon us in great tidal waves, in vast explosions—chiefly in the realm of science and technology, but also in social and political affairs. The different types of change, indeed, are closely intertwined. Scientific advances stimulate social unrest in formerly "dark" areas of our globe. Sometimes it is not easy to distinguish between cause and effect.

The late philosopher, Alfred North Whitehead, is quoted as having said, back in September, 1945: "The conditions of our lives have been basically more altered in the past fifty years than they were in the previous two thousand —I might say three thousand." Unquestionably he was right. But in the 13 years that have passed there has been even more fundamental alteration than in the half century to which Dr. Whitehead referred. We need only project this arc of acceleration into the future to foresee even greater and more startling change in the ten years ahead of us.

It may be useful to indicate briefly the dimensions of these changes, in order to underline their aggregate impact and challenge. Because my personal fate placed me in the electronics field, I have had an unusually good vantage point for observing the great surge. I have been impressed, above all, by its tempo. Developments of the kind that would have required decades or generations are now often compressed into a few months or years.

I shall list some of the developments that have occurred in the short period since the last world war. For convenience, I have organized them into ten categories. But the arrangement is arbitrary. The groupings overlap, interact and transcend any verbal boundaries we may set up.

Lists Postwar Developments

(1) The most dramatic advances, of course, have been in the release of *nuclear energy*. Already it has revolutionized war, and enough practical demonstrations are on view to indicate its coming revolutionary impact on industry and the home. The same period has also brought successful work in harnessing solar energy.

Together they promise to fulfill the old dream of inexhaustible and economical sources of power. Whether the dream will turn into a nightmare of destruction, or become a boon to humanity, remains to be seen. As yet it requires an effort of the will, when we say "atomic" or "hydrogen," not to add the word "bombs." But the shaping of our future is not in the atom; it is in the Adam—in man himself.

(2) In tandem with the atom is another mighty particle, *the electron*. The changes it has wrought since the end of the war are almost incalculable.

The advent of television, electroluminescence or "cold light," an array of fantastic computers, remote guidance of vehicles and missiles, the orbiting of man-made "moons"—these are but a few of the consequences of harnessing the electron.

In another area, the electronic engineer has increasingly become in these years a team-mate of the physician, surgeon, biologist and chemist. The electron, indeed, is now an indispensable part of every other science.

(3) Although it is essentially electronic in nature, *automation* merits separate listing because of its far-reaching potential effects. Well launched during this period, it moves to a crescendo under the impact of new scientific knowledge and new tools.

Automation amounts to the ability to control or "discipline" a large number of devices or functions within a machine, thereby enabling it not only to do man's chores, but do them with much greater speed and precision. The postwar years have brought sensational applications of this principle. Few aspects of industrial life have been unaffected by this development, which can be expected to have repercussions on employment, hours and conditions of labor, education and the growth of leisure.

(4) Then there is the ever intensified exploration and conquest of *outer space*. The beep-beep of the Russian Sputnik heralded the dawn of an era when we shall become almost as much at home in interplanetary space as we have been on the earth's surface.

No man is wise enough to foresee the consequences of this new adventure, whether in war or in peace. The more imaginative now discern practical uses of the orbited satellite as a fixed platform, as a relay point for communications. Engineers in RCA are actually working on the possible use of an artificial moon as an orbital post office, to speed up mail to all parts of the world. This is one of several projects in our Astro-Electronic Products Division—and the name alone says volumes for the emerging world of fantastic change.

(5) Spectacular and significant change has in these years also been registered by chemistry, particularly in the development of *new materials*. A tremendous array of new plastics, ceramics, lubricants and categories of substance that have as yet no name have become available for personal and industrial uses. The alchemists of the Middle Ages, it turns out, were on the right path after all.

(6) At the same time there have been major breakthroughs in *medicine and health*. The Salk vaccine against polio stands as symbol of the giant strides being made in this domain. Some types of cancer are already subject to cure. Encouraging beginnings have been made by thousands of dedicated researchers toward the eradication not only of cancer but of other scourges formerly considered incurable. Chemistry, physics, electronics have all, during this period, contributed new tools and techniques for both diagnosis and therapy.

(7) Related to these triumphs of medicine, particularly the so-called wonder drugs, is a phenomenon with vast implications for our future. It is sometimes referred to as a "*population explosion*." Penicillin, DDT, purified water, the spread of elementary hygiene, the new emphasis on preventive medicine—all operate to cut down infant mortality at one end and prolong life at the other end.

At the birth of the Christian era, 1,958 years ago, there were about 250 million people on earth. It took more than *16 centuries* for world population to double. But at today's rate of increase, it should double in *half a century*. Less than 30 years ago the human race stood at two billion; today it is nearly three billion. It is estimated that by the end of this century it will pass the five billion mark.

This, as Aldous Huxley points out in his latest book, means that every four years mankind adds to its numbers the equivalent of the present population of the United States. The growth continues to accelerate on a "compound interest" basis. Population pressures have been responsible for conflict throughout history. That they will engender more and more problems of space, food and political adjustment in the immediate future seems a certainty.

(8) We come now to a different but, if anything, more important level. The *political physiognomy of the world* has undergone rapid and bewildering change. Today's communications, transport and long-range weapons have shrunk the planet, obsoleted our former concepts of geography and canceled out the old concepts of "remote" and inaccessible places.

On the one hand this is forcing a cross-fertilization of cultures. On the other, it has made possible violent conflict—in the past largely restricted to peoples with common frontiers — between nations on different sides of the globe.

(9) Other fundamental changes, packed with both promise and peril, are in the *altered relations among the races*. Again primarily as a result of technological progress, those whom we so long regarded, in Rudyard Kipling's phrase, as "lesser breeds within the law" are revolting against colonial controls and the centuries-long assumptions of white superiority.

What is described as the awakening of the East has been accomplished by the alarm-clocks of technology. Hundreds of millions of the so-called colored races have caught a vision of an ampler material existence and have developed fierce resentments against inferior status and inferior conditions.

Since the end of the war, Secretary of State Dulles remarked in a recent address, 21 countries with a total population of 750 million have attained national independence. But that, he emphasized, "is not the end but the beginning," since political independence "produces new responsibilities, new aspirations, new perils."

(10) Finally, there is the great expansion, since the war's end, of *Communist empire and power*. I have left it for last in this inventory of change for reasons of emphasis. For I consider it the principal challenge in our time of tempestuous change — a focusing, as it were, of all the other challenges.

The inclusion of China, with its 650 million people, in the Communist coalition is probably the most fateful single event in modern history.

Already the Russian - Chinese orbit embraces a third of the human race and it reaches out persistently, systematically, with ruthless determination, for domination over the other two-thirds.

The cumulative impact on Society of the ten areas of development I have mentioned, is bound to be enormous.

The Magnitude of the Communist Challenge

While these developments proceed apace, the Communist Cold War continues on an ever-expanding scale. It now extends to the military and economic as well as the political and psychological fronts. The Cold War is real and cannot be wished away. But this does not necessarily mean that a Hot War is inevitable.

Communist strategy is to achieve its objectives through the Cold War—through a process of attrition, constantly maneuvering to narrow and erode our territory and influence, and to undermine our self-confidence. The Communist hierarchy, I suspect, would settle for freezing us instead of burning us to death

It has long been my conviction that the best way—perhaps the only way—to head off a Hot War is to *win* the Cold War. But that, I believe, cannot be done on the margins of our energies and re-

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*An address by Brig. Gen. Sarnoff at the Brandeis University Dinner, New York City.

LETTER TO THE EDITOR:

Reader Questions Effectiveness Of Protests to Legislators

Miss Cook is concerned about the fathomless paradox said to exist in legislators' inattention to voters' reaction to fiscal tax and spending performance. She wonders whether taxpayers' protests are going unheeded because legislators are not hearing from the right people; urges everyone who cares to protest to their representatives and to explain the urgency of the problem to others; and suggests re-election be abolished as the way to make legislators obey the majority's wishes. The correspondent decries inflation as the "cruelest tax" and hopes more voters will understand that it is not possible to "soak the rich" by bankrupting the Federal Treasury.

Editor, Commercial and Financial Chronicle:

Our metropolitan newspapers pride themselves on the accuracy of their reporting. Their men go after the facts and detail them for the information of the public from hour to hour. What they print is believed, even when almost unbelievable. Just now the most trustworthy reporters are writing the strangest of paradoxes. For example, that New York State Republican legislators are receiving hundreds of letters telling them "to cut spending and cut taxes," or at least not to vote new taxes, but they expect to vote for all the new tax measures the Governor has suggested.

Elizabeth E. Cook

According to the N. Y. "World Telegram & Sun" of Feb. 10, 1959, "These lawmakers are in the unenviable position of hearing their constituents' views in the most unmistakable terms and at the same time realizing that they face the prospect of being whipped into line by the Republican leadership and forced to vote for the onerous tax increases."

Two days later, Feb. 12, 1959, a front page article in the N. Y. "World Telegram & Sun" started off "Report City-State Tax Deal. Albany, Feb. 12, Gov. Nelson A. Rockefeller and Mayor Robert F. Wagner have made a secret deal which will hit state taxpayers in general and New York residents in particular, it was reported here today. The Democratic Mayor repeatedly has promised the Republican Governor all the Democratic votes needed to pass a record-smashing $2 billion budget, with staggering tax increases of $277 million. In return, Mr. Rockefeller is said to have promised Mayor Wagner additional state aid and taxing powers to bail the city out of its financial mess."

Freely translated that sounds like "Politics as usual. The public be damned."

With the intention of mollifying opposition presumably, "Mr. Rockefeller pointed out that $1,051,000,000 of the ($2,041,000,000) state expenditures he had recommended would be returned to local governments to lighten their tax burdens." (N. Y. "Times," Feb. 10, 1959) Lighten? After the sums rubbed off on the way to Albany and back to the home town? Naturally many taxpayers are asking why they can't decide locally what services they want from their local governments.

In less than two weeks after Gov. Rockefeller had submitted his budget, the legislators had received "a blizzard of correspondence" estimated at more than 100,000 letters, probably more than 100 to one opposed to higher taxes. (N. Y. "Times" Feb. 15, 1959) But up to that time the Governor had not submitted a

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THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks worked higher this week, carrying the industrial average decisively above the 600 line for the first time in history and ended a note of uncertainty since the area had repulsed the list several times earlier.

Profit-taking picked up noticeably once the line was broken and progress was restricted, a not unlikely development.

Averages Questioned

The appearance of a market at the highest level in history brought new assaults against the misleading aspects of averages as a method of gauging the market's level. There was much ammunition available since Chrysler, for one, is little better than half the price it reached several years back, yet it is one of the components. There were others both with past near-term peaks above current levels and some, like American Telephone, which sold higher both in 1930 and 1929.

There was a definite switch of emphasis in the motors, the so-called independents, Studebaker and American Motors, having definite trouble at times. Their success in the small car field, which the Big Three ignored up to here, made them standout performers in recent months. But now it appears definite that they are in for competition in this area from the Big Three and their followers are much more cautious. The Big Three, incidentally, were far from being market leaders on outstanding strength since it will be months before they can get into the small car race.

The Troubled Oils

Oils were also a sore spot even when the rest of the list was surging higher. The domestic issues were largely neglected and extreme caution centered on the "international" group which was the poorer one pricewise. The recent hike in the tax bite in Venezuela undoubtedly will make some of the mid-East nations review their split-up of profits with the oil companies and at the moment there is an over-supply in world markets. It was hardly conducive to good market action.

What investor interest was still swirling around the oil section seemed to be concentrating on companies with large gas reserves since the vast expansion in the use of natural gas in recent years has lifted it to where it supplies well past a quarter of the energy consumed in this country. The Canadian gas producers have been long troubled by lack of transmission facilities. To some of the market analysts issues like Pacific Petroleum and Home Oil, with the chance of showing an important expansion in their sales of gas now that a pipeline exists, were even preferable to the United States ones.

Rails were able to keep step with the swings in the industrials but again belie the story of the industrial average that the "market" is at an historic high. They have a long way to go to achieve even a near-term peak. To many, the fact that railroad mortgage bonds of quality are yielding around 6% was hardly an incentive to rush to buy rail equities. In bonds of lesser quality the yields run as high as 8½% which, with the greater protection offered by the senior securities, has been attracting what dabbling institutional accounts have been doing in the rail field.

Still Full of Steam

The low-yield item that still showed no signs of running out of steam was General Tire which, in addition to its high leverage, is also able to offer dynamic possibilities through its 87% ownership of Aerojet-General, largest maker of rocket engines for missiles. General's yield was only slightly over 1% on the cash paid last year with traders much more interested in the 140% improvement in profits in the final fiscal quarter last year. Since the interest in Aerojet has picked up, the stock of General has changed its ways radically. Where it held in a seven point range in 1955 and one of six points in 1956, it broadened out to a 14-point range in 1957 and a 33-point swing last year during which it more than doubled over its low. So far in this still-young year it has broadened its 1958-59 low-to-high range to more than 40 points.

Farm Equipments Interesting

The group that has been neglected for a longer period than most of the current laggards is the farm equipment manufactures. Returns here run past 4% in Deere & Co., the second largest domestic maker. The $6 per share earned last year was far in excess of the indicated $2.37½ dividend rate. The 1958 profit was best since 1950 and with indications that Deere will do better this year, it appears that the earnings slide after 1950 bottomed out in 1956. Late last year the dividend was raised 12½ cents to 50 cents a quarter, plus a year-end extra. Nevertheless it is still a candidate for a better payout this year because of the large gap between earnings and its payments.

The sedate item in an era where wide moves are blamed on small capitalizations might be Atlas Powder. This company, which has around a mere three-fourths of a million shares outstanding, only just expanded its 1958-59 range past 20 points. The company until recently did little in the way of diversification and concentrated on explosives for which demand is highly cyclical.

Since World War II, however, Atlas has branched out into industrial chemicals, plastic compounds and some preparations used in the food industry. Still dependent for some 60% of its sales on explosives, Atlas has yet to reflect the growing importance of its new lines and the stock is far from any historic peak, well under its 1956 level. Nor has the lost ground from the recession been made up even though explosives themselves currently are in good demand again.

Another company making a rather drastic switch is National Distillers which has also had a rather quiet market life as the prospects of its expansion into chemicals developed slowly. Where the beverage side of this company towered over the chemical branch four years ago, the gap has been narrowing constantly and projections for this year are that chemicals will produce some $26 millions in pretax profit against $30 millions from beverages and that by 1960 chemicals will have forged ahead. Although the common stock is expected to get a higher dividend payout this year, at the present rate the yield is just above 3% while the company has a preferred offering better than 4%. The preferred, moreover, is a convertible with all the hedge aspects that such an issue affords.

The expansion item in the stores at the moment is H. L. Green Co. which acquired a new president late last year after the fortunes of the company had slid downhill consistently. Then it acquired a southern chain, a Michigan chain and large stock interest in United Stores which had just put together McCrory-McLellan Stores out of two separate chains. And the management is scouting around for other regional chains as well as engaging in an aggressive building program to expand internally as well. Whether the turn has actually been made is not yet written in the records but company projections indicate the management believes it has.

[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.]

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The Chase Manhattan Bank, New York has announced the appointment of Russell F. Erickson to the advisory committee of the Bank's Grand Central branch at 422 Lexington Avenue.

* * *

The appointments of John P. Dowling as an Assistant Treasurer and William E. Suneson as an Assistant Secretary of **Manufacturers Trust Company, New York** are announced by Horace C. Flanigan, Chairman of the Board.

Mr. Dowling joined the Bank in 1956. He is assigned to the Credit Department located at the Bank's head office, 44 Wall Street.

Mr. Suneson joined the Bank in 1951 and was appointed an Assistant Branch Manager in 1955. At present, he is assigned to the Bank's office at 221 Fourth Ave. at 18th Street.

* * *

The election of Walter M. Jeffords Jr. as a Director of the **Federation Bank and Trust Company, New York** has been announced by Thomas J. Shanahan, President.

* * *

John W. Hooper, President of **The Lincoln Savings Bank, Brooklyn, N. Y.,** announces that a modern banking office will be opened to the Public, at 12-16 Graham Avenue, on Feb. 28. The original building at 12 Graham Avenue has been replaced with a new one in the much larger area covered by 12-16 Graham Avenue.

* * *

A ground breaking ceremony Feb. 19 launched construction of a new branch office for the **Bushwick Savings Bank, Brooklyn, N. Y.** at Drew Street and Liberty Ave., Brooklyn, N. Y..

* * *

M. Harvey Smedley, has been elected a trustee of **Flatbush Savings Bank, Brooklyn, N. Y.** it was announced Feb. 17 by John S. Roberts, Chairman of the Bank's board of trustees.

* * *

Edward J. Quigley, Postmaster of Brooklyn, was elected to the Board of Trustees of the **Hamburg Savings Bank of Brooklyn, N. Y.** it was announced Feb. 16.

* * *

Elwood L. Martz has been elected a Vice-President of the **Central Bank and Trust Company in Great Neck, L. I.** Mr. Martz was previously a Vice-President of the **Industrial Bank of Commerce, New York.**

* * *

The **Franklin National Bank of Long Island, N. Y.** announced that Patrick J. Clifford has been advanced to the new post of Senior Vice-President and George H. Becht to that of Administrative Vice-President.

* * *

Security National Bank of Long Island, Huntington, New York increased its common capital stock from $4,589,080 to $4,726,750 by a stock dividend effective Feb. 11. (Number of shares outstanding — 945,350 shares, par value $5).

* * *

J. Purdy Ungemack, Assistant Treasurer in charge of **The County Trust Company, White Plains, N. Y.** drive-in office at Port Chester, completed 30 years of service with the Bank on Feb. 25.

* * *

Cameron Brown and Lewis E. Upham have joined **National Bank of Westchester, White Plains, N. Y.** as Assistant Vice Presidents, according to an announcement Feb. 23 by H. J. Marshall, President. Both men will serve in the Bank's Loan Administration Department.

Prior to coming to NBW, Mr. Upham was employed by **Bankers Trust Company, New York City** as Credit Group Head.

* * *

State Bank of Kenmore, Kenmore, N. Y. was given approval by the New York State Department of Banking to increase its capital stock from $300,000 consisting of 30,000 shares of the par value of $10 each, to $450,000 consisting of 45,000 shares of the same par value.

* * *

Rockland-Atlas National Bank of Boston, Mass. increased its common capital stock from $2,600,000 to $3,000,000 by the sale of new stock effective Feb. 10. (Number of shares outstanding — 300,000 shares, par value $10).

* * *

"The Manufacturers National Bank of North Attleborough," North Attleboro, Mass. changed its title to **"Manufacturers National Bank of North Attleborough"** effective Feb. 10.

* * *

The Boards of Directors of **Union County Trust Company, Elizabeth, N. J.** and **Citizens Trust Company, Summit, New Jersey,** voted on a proposed merger of the two banks, according to a joint announcement by George W. Bauer, President of Union County Trust Company, and Harry W. Edgar, President of Citizens Trust Company. The proposal was approved by both Boards of Directors, subject to concurrence by State and Federal Banking authorities.

With five offices in Elizabeth and Cranford, Union County Trust's latest published statement of condition reports resources of more than $73,450,000 and deposits exceeding $67,300,000. Citizens Trust, with an office in Berkeley Heights, N. J. in addition to its Summit headquarters at 30 Maple Street, lists resources of almost $16,000,000 and deposits of more than $14,800,000. Following formal approval of the merger, Union County Trust's deposits, based on its Dec. 31, 1958 statement of condition, will total over $82,000,000, making it the largest State chartered financial institution in Union County.

Under terms of the proposal, stockholders of Citizen Trust will receive two Union County Trust shares for each of theirs, plus a cash payment of $25 per share of Citizens Trust stock.

President of the merged banks will be George W. Bauer, with Citizens Trust President Harry W. Edgar becoming Vice-President in charge of the Summit and Berkeley Heights Offices.

Mr. Edgar, David H. Knowles, John K. P. Stone, Jr., and John J. Summersby, current Directors of Citizens Trust, will be named Directors of Union County Trust. Other members of the Summit bank's Board—will serve as an Advisory Board to the Summit and Berkeley Heights offices. Raymond T. Parrot, a Director of both banks, will remain on the new board as its Chairman.

A meeting of stockholders of both institutions will be held at a later date to consider formal approval of the proposed merger.

* * *

The National State Bank of Newark, N. J. opened its Seaport Office Feb. 24 in Port Newark at Marsh and Terminal Streets. It is the Bank's 22nd office serving Essex County.

Manager of the Seaport Office is Gordon C. Kelly, Assistant Cashier.

* * *

First National Bank of Jersey City, N. J. and the **West Hudson National Bank of Harrison, N. J.** announced that Directors of both banks have agreed on plans to consolidate.

West Hudson National Bank stockholders would receive one share of First National Bank of Jersey City for each nine shares held. The plan must be approved by stockholders of both institutions as well as supervisory authorities.

* * *

Stockholders of the **National Community Bank, Rutherford, N. J.** and the **Ridgefield National Bank, Ridgefield, N. J.** have approved the merger of the two institutions.

Preliminary approval of the merger already has been given by the Controller of the Currency. He is expected to give his final approval to make the consolidation effective Feb. 27.

The merger will result in a bank with capital of $3,031,250, comprised of 242,500 shares with a par of $12.50 a share. It is expected that total resources will be more than $1,000,000.

The approval of the merger by the directors was given in the Jan. 29 issue of the "Chronicle" page 548.

* * *

Effective March 2, the **First National Bank and Trust Company of Paterson, N. J.** will change its name to **First National Bank of Passaic County, Paterson, N. J.**

* * *

At separate meetings, Feb. 17, the Boards of Directors of **Northeastern Pennsylvania National Bank and Trust Company** and the **Pioneer Dime Bank, of Carbondale, Pa.,** voted to file application with the Comptroller of the Currency, Ray M. Gidney seeking merger approval.

The joint announcement was made by Northeastern National President Frank E. Hemelright and President of the Pioneer Dime Bank, Willis G. Blocksidge.

Shareholders of Pioneer Dime Bank would receive one share of Northeastern National stock for each share of Pioneer stock held, which consists of both preferred and common stock.

As of Dec. 31, 1958, total resources of the Pioneer Dime Bank were $5,021,430. Total deposits aggregated $4,646,511. Total resources of the merged institution would exceed $156 million.

Should the joint application receive initial sanction by the Comptroller of the Currency, stockholders of the two banks would then vote on the proposal. The merger would become effective upon the acceptance of the stockholders and final approval of the Comptroller. All directors and personnel of the Pioneer Dime Bank would become affiliated with Northeastern National.

* * *

Miss Esther I. Schmidt has been elected an Assistant Secretary in the Personnel Department of **Fidelity Trust Company, Pittsburgh, Pa.** according to John A. Byerly, President.

* * *

By a stock dividend **The National City Bank of Cleveland, Ohio** increased its common capital stock from $17,600,000 to $19,360,000 effective Feb. 13. (Number of shares outstanding—1,210,000 shares, par value $16).

* * *

At separate meetings Feb. 18 the Boards of Directors of Spitzer-Rorick Trust & Savings Bank, Toledo, Ohio and **Ohio Citizens Trust Company, Toledo, Ohio** approved an agreement to merge their respective institutions, according to a joint announcement made Feb. 19 by the Presidents of the two banks, Marvin H. Rorick and Willard I. Webb, Jr.

The merger which is subject to approval by the State Banking and Federal Reserve authorities and ratification by stockholders of both banks, is scheduled to take place on or about April 30. It will be effected by an exchange of common shares, the exact details to be announced at a later date.

Following the merger, the surviving institution, Ohio Citizens Trust Company, will have total resources of over $100,000,000 and capital accounts of approximately $6,000,000.

* * *

The Third National Bank and Trust Company of Dayton, Ohio increased its common capital stock from $2,500,000 to $3,000,000 by a stock dividend and from $3,000,000 to $3,500,000 by the sale of new stock effective Feb. 11. (Number of shares outstanding—280,000 shares, par value $12.50).

* * *

By a stock dividend **The Cosmopolitan National Bank of Chicago, Ill.** increased its common capital stock from $1,320,000 to $1,420,000 and from $1,420,000 to $1,500,000 by the sale of new stock effective Feb. 10. (Number of shares outstanding — 15,000 shares, par value $100).

* * *

The First National Bank of Springfield, Ill. increased its common capital stock from $1,300,000 to $1,500,000 by the sale of new stock effective Feb. 10. (Number of shares outstanding — 75,000 shares, par value $20).

* * *

The common capital stock of **The First National Bank of Carmi, Illinois** was increased from $100,000 to $200,000 by a stock dividend effective Feb. 10. (Number of shares outstanding — 4,000 shares, par value $50).

* * *

The National Bank of Jackson, Michigan increased its common capital stock. from $1,282,365 to $1,496,085 by sale of new stock effective Feb. 11. (Number of shares outstanding—99,739 shares, par value $15.00).

* * *

By the sale of new stock the common capital stock of the **Sidney National Bank, Sidney, Neb.** was increased from $100,000 to $110,000 effective Feb. 11. (Number of shares outstanding—1,100 shares, par value $100).

* * *

By a stock dividend **The First National Bank of Carlisle, Kentucky** the common capital stock was increased from $50,000 to $100,000 effective Feb. 10. (Number of shares outstanding—1,000 shares, par value $100).

* * *

The Liberty National Bank of Dickinson, North Dakota increased its common capital stock from $100,000 to $200,000 by a stock dividend effective Feb. 11. (Number of shares outstanding—2,000 shares, par value $100).

* * *

The First National Bank of Laramie, Wyoming increased its common capital stock from $100,000 to $250,000 by a stock dividend and from $250,000 to $275,000 by the sale of new stock effective Feb. 10. (Number of shares outstanding—2,750 shares, par value $100).

* * *

By a stock dividend **The First National Bank of Juneau, Alaska** increased its common capital stock from $150,000 to $300,000 effective Feb. 11. (Number of shares outstanding — 3,000 shares, par value $100).

Energy, Economy and Society in Transition

By BORIS PREGEL*
Former President, The New York Academy of Science
President, Canadian Radium and Uranium Corporation, New York City

Retiring President of science group asks his colleagues to be prepared to meet the problems that will be posed by the advent of the twenty-first century. Emphasizing that "nuclear energy is taking place just at the moment it is needed," Dr. Pregel depicts upward population growth and how nuclear energy will sustain it. The physicist foresees an inevitable role for government capital and outlines the major industrial and non-industrial implications of the exploitation of nuclear energy. He predicts 20-hour work week will soon occur, and a world so altered by automation and abundance of cheap nuclear energy that it would bring about a class of "leisure-stricken" individuals who would replace the "poverty-stricken."

It is an established philosophical axiom that great discoveries are made at the moment when they are needed. I believe we can apply this to the discovery of nuclear energy for, if this "must" had not been achieved, mankind would have faced in a very short period of time a most sombre future.

Boris Pregel

Energy, as we all know, in some form other than the filtered sunlight which photosynthesis converts into food, fiber, and fuel, is the basic resource of man. Today presumably only in the first stages of his evolution on this earth, man's energy requirements have grown almost beyond the capacity of fossil fuels and hydroelectric installations to supply them. These needs are growing at great speed. It is certain they will continue to grow, and that they cannot be met from present sources for more than a couple of decades.

The United States is rich in power. We possess very large resources of all kinds of fossil fuels. To get a conservative idea of the energy needs of the world, then, it may be suggestive to take a look at the added energy needs of the United States as projected for the very near future.

These curves show the available and the projected levels of fuels, in btu units, needed by the United States at the dates indicated. These curves are based on data published in the McKinney Report on peacetime uses of atomic energy. And they are, I may suggest, quite conservative.

With these data in mind, I should like to ask you to think for a minute what may be the energy requirements, just in the next 25 years, of six hundred million Chinese, or of five hundred million inhabitants of India, or of all the other millions in Asia, in Africa, and in Central and South America.

Now I should like to ask you to revise those estimates you have mentally made by taking cognizance of the demographic prediction that, if nothing extraordinary happens to change the world's population growth patterns, in 25 years those six hundred million Chinese will have become one billion and the five hundred million inhabitants of India will have increased to 833 million. And the total world population will have increased from three to five billion. By the turn of the century, if the curve continues, we shall have a world population of seven and a half billion.

*An address by Dr. Pregel before the New York Academy of Sciences, New York City.

In all the time since the appearance of our species on this earth, up to now, we have reached a population of less than three billion. To provide the energy required by this population, we have all but exhausted our irreplaceable fossil fuel stores, and gone a long way toward exploiting available hydro - electric sources. If, within the next forty-two years, we are to increase our present population by two and a half times, it is abundantly evident that we must develop new energy sources. And we must do it at once. In this study, I wish to consider in some detail the form of the new energy and some of its possible effects on our economy, politico-social organizations, and culture.

We must keep in mind that, when we speak of nuclear energy, we imply great new developments also in practically all the fields of application and manufacturing. These new methods will help to develop and create new synthetic materials, new high-heat-resistant alloys, new chemicals, new electronic devices, so that the whole aspect of the world in which we live will, in a few years, be much different from the world of today, just as the world of today is different from the world of the 12th century.

What New Energy?

The world's present energy sources, as pointed out earlier, are limited. We may still make new discoveries of oil fields or coal districts. We may also build all possible hydro-electric stations. However, all this would be insufficient.

Even if new oil fields and coal beds were discovered and every last potential hydro-electric power site were developed, we should not have solved the problem except in a few areas. Fossil fuels are not evenly distributed over the world, nor are water power sites, so that certain parts of the world would be in the same catastrophic situation they now face, or a worse one. The area of imbalance between have and have-not nations is ending. The new energy source, if it is to contribute to the welfare of mankind, must tend to equalize the imbalance that has hitherto existed. The tides, the sun, the wind are being explored as possible sources of new energy. All of them are promising, but extensive research and development will be required to make them feasible. The only new source of energy available almost immediately, and which can meet the requirements of the have-not nations, is nuclear energy.

The fundamental research needed to make nuclear energy available to men everywhere has largely been done. The developmental research is under way. Photypes of nuclear power plants are in operation, and there remains no problem which is not well on the way to solution.

What of the cost of such plants? There has been a great deal of discussion about this aspect of nuclear power, but very few wise thoughts have emerged. Actually, a discussion of the cost of nuclear power is not essential at this time. Whatever the cost of this power may be, no matter how it may compare with that produced in conventional plants, we shall have to produce it and pay for it, whether we like it or not, because we shall need the energy. Expansion of our energy resources will be essential to our very existence.

Nevertheless, let us analyze the cost of nuclear energy as best we can, keeping in mind as a former high official of the Atomic Energy Commission has said of previously published cost figures, that they are "guesstimates." It is my opinion that these figures are excessively high, and that they are so high because they are the result of wrong thinking based on inadequate information.

Our information is inadequate simply because our experience in producing nuclear energy is negligible. We do not have, anywhere in the world, a perfected reactor of any type. Our cost figures are based on installations which were already obsolete before they were completed. These cost figures also include monies properly chargeable to developmental research. The cost of constructing a prototype is ordinarily high, sometimes extremely so, and very often that cost is wholly out of line with the cost of later models.

Since the data on which our "guesstimates" of the cost of nuclear power are faulty, we cannot take seriously any conclusion drawn from them as to the cost of erection of a reactor power plant or the cost of the energy it may produce.

One thing we can be certain of. Engineering experience will reduce costs, probably sharply.

Let us examine, briefly, how meager our information on this subject is. We know that, in natural uranium, U235 which is fissionable occurs in the ratio of seven parts per thousand: and we know that one pound of fissionable uranium is the equivalent of 650 tons of coal.

Most of the world's experience is based on crude reactors which convert only about seven-tenths of 1% of their fuel into heat. (The figure is slightly greater than this because some of the U238 is converted into fissionable plutonium).

We know less about converter type reactors which are designed to promote conversion of some of the stable U238, which makes up 99.3% of all natural uranium, into plutonium 239. Early indications suggest that the converter type will be about three times as efficient as the crude reactor.

We know still less about the breeder type reactor, in which more fuel will be produced than consumed. When this type of reactor is perfected, theoretically, we shall be able perhaps to obtain a hundred times as much power potential as in the crude uranium reactor.

Of course, all these figures are used by me only to show the tremendous possibilities which are lying ahead of us, when the reactors will be perfected. They are interesting only to show that the cost of fuel in the future installations will be purely incidental. In such reactors, the U235 is employed primarily for the production of neutrons which convert the stable U238 into P239. We have only begun to explose the potentialities of this radical experiment, the creation — not merely the production—of energy. On Aug. 23, 1958, the United States Atomic Energy Commission announced that it had operated, in Idaho, a reactor with P239 as fuel. The AEC announcement said that the reactor had operated at "substantial power" and that the anticipated capacity of the installation is thirty thousand kilowatts.

These data are only preliminary. Many difficulties are still unsolved. For example, plutonium is immensely radioactive. It is difficult to tool. It presents great poisoning dangers. There are other problems—the disposal of ratioactive wastes, prevention of explosions, and so on. But these and other problems are mostly engineering ones. The history of engineering suggests that inventive and resouceful men will solve them, and in a comparatively short time.

The question now is: with the foregoing facts in mind, and keeping in mind also the inescapable fact that fossil fuels as they are exhausted will constantly rise in cost, will nuclear energy prove to be excessively expensive as "guesstimateers" have predicted? I believe it is clear, and that it will be clear to everyone in a very short time, that nuclear energy is the cheapest new energy source in the world today. And tomorrow, with fusion reactors making available the virtually inexhaustible deuterium supplies of the seas of the world, the cost of nuclear energy will approach practically nothing.

We must not forget that for the moment we are using the process of fission only to replace the conventional fuels—in other words, the main part of the plant is the same as in a conventional installation.

We use the heat produced by the reactor to produce steam and that is why the efficiency is so low. The real value of nuclear energy will become apparent on the day when we shall be able to produce electrical current directly from the reactor. There are no theoretical objections to this development and the necessary research is well on the way to a solution.

The same can be said of the problem of selecting the most efficient reactors. It is not appropriate to discuss, within the scope of this report, the technical aspects of these problems.

Who Needs It?

I have remarked that the United States is less in need of new energy sources than the rest of the world. A number of indices could be cited to our relative wealth. For our purposes in this discussion, it may be best to employ kilowatt hours as a measure of wealth. At the first conference on peacetime uses of atomic energy at Geneva in 1955, it was brought out that world production of electric energy today is approximately 1,500 billion kilowatt hours. Of this, 40%—625 billion kilowatt hours—was the United States share, though we constitute somewhat less than 5% of the world's population. Other sections of the world, western Europe, even Russia, although poor by comparison with the United States, are rich by comparison with many of the truly poor nations, particularly some of those who are only now, under impetus of ardent—even truculent—nationalism, emerging from colonial status.

Many of these are countries whose population has spurted with the aid of modern medicines and insecticides. A generation or two ago, moderate improvements in their agriculture or industry would have meant prosperity, progress and peaceful evolution. Today, in such countries, the production of mouths outruns the benefits obtained from irrigation and hydro-electric installations. Most of them have no fossil fuel resources. Nonetheless, they are seeking, and demanding, political and economic autonomy. Their demands can only be met by providing their peoples quickly with relatively high levels of energy. The report of the Geneva Conference of 1955 set six thousand billion kilowatt hours as the probable production of electric power in 1975. This is four times the 1955 rate. Even if it could be produced from fossil fuels and hydro-electric installations, with our present methods it could not be transported to where it is most needed, to the hinterlands of the improverished nations.

We may well repeat here: This great discovery of nuclear energy is taking place just at the moment it is needed. Nuclear power plants do not depend on altitude or water supply. They are independent of railroad or ship transport, of longitude or latitude. Once established, they do not call for a continuous daily supply of fuel. Furthermore, and this is very important in regions where the number of trained engineers is limited, a nuclear reactor is almost automatically run and does not call for a large operating staff. Nuclear energy is, in fact, the only potential power source which meets all of the requirements of this exigent moment in world affairs. History shows that the hungry and the wronged attempt to better their condition with violence, that prosperous and happy men effect what may be truly revolutionary changes by peaceful means. Nuclear reactors will bring the promise of peaceful aggrandizement to the have-not nations of the undeveloped sections of the world.

It bears a similar promise to western Europe, a highly developed region, but virtually without petroleum and facing the prospect of inadequate coal supplies. Actually, the coal production in continental Europe has only now reached the prewar 1937 level after years of intensive effort. The United Kingdom's production of coal for the last ten years has oscillated between 225 and 250 million tons per year, and there is no hope of increasing this tonnage. Not more than 60% of western Europe's present fuel requirements are being met with coal. The deficit is being made up with oil, mostly from the Middle East. Sixty percent of the world's petroleum supply lies in that area, and the continued delivery of it to Europe is not assured.

Recalls Suez Crisis

One need only recall the recent crisis, not yet resolved, which closed the Suez Canal and various pipeline routes for the transport of Middle Eastern oil to Europe, to recognize how insecure these supplies are. Moreover, even if this oil were to remain available to Europe, the fact remains that it is exhaustible. More important still is the consideration that, like all other fossil fuel supplies everywhere, it is irreplaceable. Since oil and coal are of far greater value as petrochemicals than as fuel, it will be inexcusably wasteful to use them to produce power when nuclear plants can take over the task of generating electricity.

It must be kept in mind that this is the only function of a traditional power plant that will be taken over by nuclear fuels. Except for the changeover from fossil fuels to nuclear ones, no adaptation will be required. Production of electric energy directly from the reactor, though beyond our capacities at the moment, is certain to come in the future. But, even then, our present distribution systems will probably remain largely unchanged.

The English have been first to realize their need for atomic power and they have built a number of reactors, some of them on an industrial scale. They report that already the cost of electricity produced by nuclear fuel is comparable with that of electricity produced by conventional installations. Of course, the cost of electricity from fossil fuels is highly variable, depending on the availability of fuel and other factors. The British plants, using crude uranium as fuel, appear to be sufficiently efficient to produce in competition with fossil-fuel plants in areas of high cost. Eng-

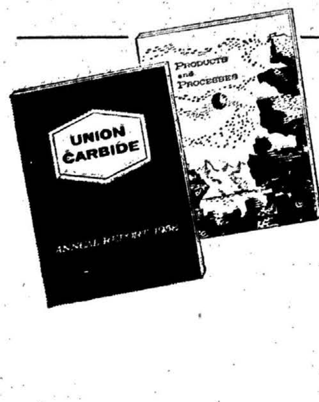
Continued on page 30

UNION CARBIDE

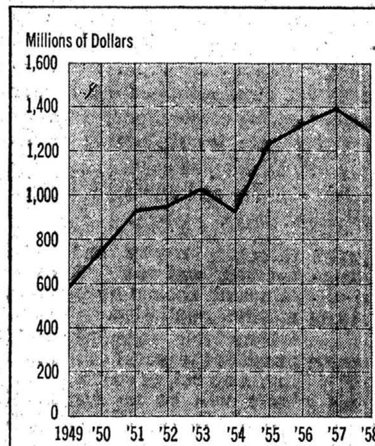
UNION CARBIDE CORPORATION

1958 Annual Report Summary

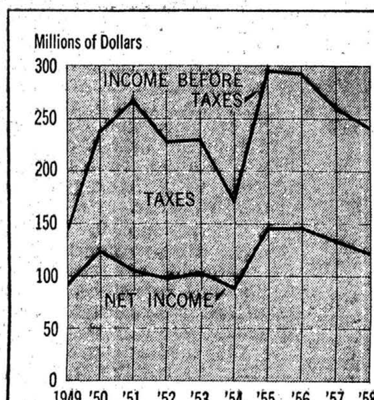
	1958	1957
Sales	$1,296,532,373	$1,395,032,817
Net Income	124,936,845	133,740,818
Per Share	4.15	4.45
Dividends Paid	108,265,402	108,307,512
Per Share	3.60	3.60
Earned Surplus	622,201,752	605,530,309
Current Assets	$ 653,350,387	$ 639,190,691
Current Liabilities	213,802,203	216,302,892
Total Assets	1,530,476,376	1,456,353,350
Shares Outstanding	30,093,183	30,067,123
Number of Stockholders	126,739	123,943
Number of Employees	71,500	77,000



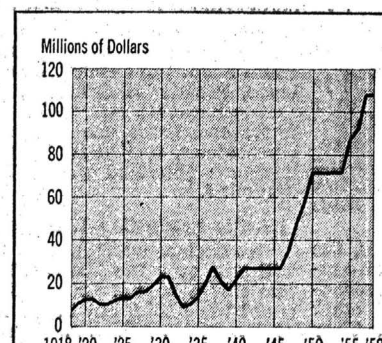
Copies of the complete 1958 Annual Report of Union Carbide Corporation will be furnished on request. An illustrated booklet describing the products and processes of Union Carbide also is available. If you wish copies of these booklets, please write to the Secretary, Union Carbide Corporation, 30 East 42nd Street, New York 17, N. Y.



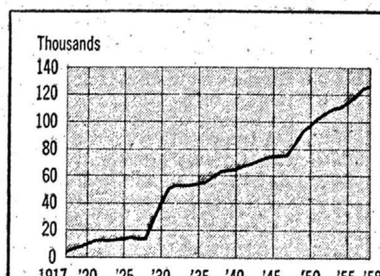
Sales



Net Income and Income Taxes



Dividends Paid



Number of Stockholders

Crucial Challenge to the U. S. And Capitalism Generally

By ELLIOTT V. BELL*
Editor and Publisher of "Business Week"

To thwart USSR's desire for world conquest we must meet that country's challenge to the U. S. and capitalism in general. To do this publisher Bell prescribes what we should do in the economic battlegrounds of economic growth rates, aid to underdeveloped countries, and trade in the world market places. Mr. Bell would confront Moscow's hit and run raids on markets "with power equal to its own, mobilized as in war through a government-financed trading corporation"; use more international institutions and private investments in underdeveloped areas; and apply new thinking so our free economy can increase growth, maintain stability and allocate resources more effectively than does the USSR.

The United States is engaged today in one of those great struggles for power that are the essence of the human story as it has been written up to now. In the Soviet Union, you have a huge nation mobilized under Communism for the pursuit of power. The United States, by far the strongest capitalist nation, stands in her way. Just so did ancient Athens stand in the way of Sparta, or modern Britain in the way of Germany.

Elliott V. Bell

I would like to discuss the economic aspects of this great power struggle that is going on between Soviet Russia and ourselves.

The first phase of the conflict—the postwar period—has ended. That phase was dominated here at home by the need to catch up with the shortages resulting from the war and the preceding depression years. In Western Europe, our friends and erstwhile foes, alike, were in dire need of rebuilding—roads, bridges, factories, houses. They desperately needed our help just to be able to sustain life.

While we were busy trying to restore our own economy to a peacetime status and to help our Western European friends to get back on their feet, Soviet Russia achieved an extraordinary success in exploiting the misery and chaos left by the war.

By one device or another, the Communists established themselves in China, Poland, Czechoslovakia, Hungary, and other Eastern European nations. They made probing attempts against Greece and Turkey. They tried to drive us from Berlin. They launched the Korean War, the Communist drive against Indo-China, the Soviet penetration of the Middle East, the Chinese offensives against Quemoy and Matsu. Now they confront us with a new threat to force us from Berlin.

All this we call the Cold War, a rather inappropriate name. The aggression whereby Russia conquered vast territory and subjugated millions of people was, in fact, accomplished primarily by force and the threat of force. It was drenched in the blood of countless innocent people. It was made possible by the existence of a huge Russian war machine that had not been demobilized after the defeat of the Axis, as had our own military establishment, and by the fact that, neither at home nor abroad would public opinion have supported our use of the atomic bomb to resist Soviet aggression.

Our response to the Communist threat, slowly and painfully evolved, was the policy of containment, backed by the threat of massive retaliation.

Now this primarily military phase of the world conflict is ending. I do not, of course, mean that there will be no further "incidents." There will be plenty, designed primarily for psychological and propaganda effect—to confuse our people, and, if possible, frighten our allies.

But the risks of a resort to naked force today are prohibitive. Our Western European allies, which now include our former foes, have been restored and rearmed. The NATO alliance has been seasoned and strengthened, and from a perimeter of NATO bases, United States bombers, loaded with hydrogen bombs, cruise in the air.

We have, up to this point, thought of the contest as a race to maintain at least military parity—the capacity to deter attack by massive retaliation. But it should be clear that maintaining the nuclear stalemate does nothing to resolve the struggle. It merely shifts the war to new grounds—the economic battleground where Communism competes with capitalism in terms of economic growth rates, aid to underdeveloped countries, and trade in the world market places.

In order that there may be no doubt about the Communist challenge, Premier Khrushchev, with that remarkable candor that dictators sometimes use to confuse democracies, spelled it all out in a speech delivered shortly after Sputnik I.

Recalls Production-War Threat

"We declare war," he said. "We will win over the United States. The threat to the United States is not the ICBM, but in the field of peaceful production. We are relentless in this and will prove the superiority of our system."

It would be easy to dismiss this as pure bombast—easy and dangerous. Let us rather take a close look at Khrushchev's challenge to an economic race.

Remember, first of all, that Russia's new emphasis on an economic offensive does not imply an easing of the armaments race. On the contrary, the expansion of the Soviets' productive capacity makes it possible for them to compete more intensively than ever in the development of weapons that are new, deadly, and enormously expensive.

Remember, also, that the mechanism of production and trade in the free world is by its very nature sensitive to shocks and vulnerable to sabotage by someone who is more concerned with creating confusion than with building markets and satisfying customers.

Here are some of the important forms this Soviet economic offensive against us can and almost surely will take.

First, hit-and-run raids on particular markets, designed to create disruption or, perhaps, just to relieve Moscow's planners of an embarrassing surplus of some commodity that they produced in excess of their needs.

Second, skillful use of trade and aid to persuade allies and neutrals to turn their backs on the Free World and look to Russia as their leader.

Finally, and most important, long-term growth—based upon rigorously enforced savings and capital formation—at a pace so fast that in time the Russian economy actually could hope to outstrip the U. S. in production.

We have already seen examples of the first threat—hit and run raids on the commodity markets of the West—notably in the case of aluminum. Now oil is beginning to move into Western markets at prices well below Western levels. In 1958, oil exports from the Soviet bloc to the non-Communist world reached 9-million tons, and it is estimated that they may reach 16-million tons in the early sixties. With the important role oil plays in modern Western economies, Soviet dumping could play hob.

In some cases, Soviet sales of industrial materials are handled on a businesslike basis and seem to have no other purpose than to earn foreign exchange needed to pay for goods imported from the West. But that is not always the case. And it seems likely that as temporary surpluses develop in the new Seven-Year Plan, as they are bound to, the Russians may well move into an increasing number of Western markets not just to earn foreign exchange but with the definite intention of breaking the price structure and precipitating panic among producers and traders. Any extensive use of methods that amount to "dumping" undoubtedly will force the U. S. seriously to consider establishing a government trading corporation to counteract Soviet tactics.

Facts versus Miyokan's Honeyed Words

Lately we have been hearing some honeyed words on U. S.-Soviet trade from Russia's First Deputy Premier, Anastas Mikoyan. Well, let's take a look at that trade. One of the items on the Soviet shopping list is rolling equipment for non-ferrous metals. The Russians have even suggested that they might buy this kind of equipment—along with chemical plants—on credit. In view of the aluminum episode, that is an interesting but hardly very attractive proposal.

This simply underlines the wisdom of an opinion that Under Secretary of State Douglas Dillon recently offered on the U. S.-Soviet trade question:

"It seems apparent," he said, "that the U.S.S.R. desires to incur a substantial import surplus with the West to be paid for in installments over a longer period of time by its traditional raw materials exports. This means that the United States and the other industrialized countries of the West have, in effect, been invited to finance the continuing rapid expansion of the Soviet economy in new fields—in exchange for deferred payments of raw materials which are, by and large, competitive with free world production."

The Russians, as we have learned to our cost, play for keeps. And they do not hesitate to use every trick in the book to give themselves an advantage. This shows up in the way they use the second weapon in their economic arsenal—their aid and trade offensive in the underdeveloped countries. In India, they have made a tremendous impression with their steel mill and with other industrial projects. In handling these, they show great skill.

One thing that has come as a surprise is that the Soviet Union, despite its vast bureaucracy, has proved more flexible in this matter of foreign aid and able to act more speedily than we.

Russian Foreign Aid

In amount, their aid is far less than ours; but by shrewd distribution and maximum exploitation they may have extracted greater credit for their slender contributions than we have for our greater ones.

They have done this by low interest rates, easy terms of payment, willingness to help dispose of local agricultural surpluses, dramatic visits at the top level, speedy agreements reached in a blaze of publicity, and avoidance of protracted negotiations.

When a technician is needed, the Soviet simply plucks a qualified man out of whatever he is doing and ships him on the next plane to where he is needed. There is no need first to hunt for him, then persuade his company to let him go, then persuade him to go, and finally persuade his wife to let him go.

Moreover, their technicians are required to live modestly, even abstemiously, in accordance with local customs. Thus at Bhilai, in India, where Russia is building a steel mill, Soviet technicians refrain from drinking alcohol because Bhilai is in a dry province. Every Soviet engineer and technician works side by side with the Indian who is to take over his job when the Russians have completed their work. All this creates a most favorable impression.

Over the past three years, Soviet economic aid actually delivered has probably averaged less than $300 million a year, or about one-tenth as much as ours. However, the Soviet program has been concentrated on a few countries, especially on the United Arab Republic and India, where the prospect of political dividends looked good.

As the Soviet economy grows, and its educational system produces more technicians trained in foreign languages (and no doubt some of them as intelligence agents) Moscow's aid program undoubtedly will be enlarged both in terms of the credits granted and the areas covered. Africa may well become a prime target. Latin America already is the object of Soviet efforts.

And make no mistake about it: The nations that accept aid from the Soviet Union are genuinely impressed by achievements of the U.S.S.R. For Russia has made highly effective propaganda use of its third great weapon, its rate of industrial growth. In India, the Middle East, and many other places, Soviet agents are now pointing to the record of the past 10 years and proudly proclaiming that in another 10 Russia will outgrow the U. S., that it will expand until it overshadows us completely and stands alone and unchallengeable as **the** great power of the world.

That may sound like bunk to us, but the Soviet system is a going concern. Whatever we may think of its brutalities or inefficiencies, it has become—to much of the world at least—an alternative system to our own. In many underdeveloped countries, Russia's industrial advances under Communism seems to have far more relevance to their problems and aspirations than our own, more gradual, growth under free enterprise.

We all know that our position in the world—the very fact that we are an obstacle in the path of Russia's desires for world conquest—is due to the fact that we are the most productive nation in the world. But for some years now, the Soviet economy has been growing at a faster rate than ours.

Even after squeezing all the water out of Russian statistics, we must grant that the Soviet economy seems to have been growing lately at an annual rate of about 6 to 7% a year. This is about double our own average annual rate of growth in the postwar period.

The very existence of this huge, rapidly growing, disciplined economy presents a challenge to the U. S. and to the capitalist system generally. If our present advantage in production should really shrink strikingly, I fear that many countries will be watching for the right opportunity to shift their allegiance from the West to the East. That would be true not only in Asia and Africa, but in Latin America as well.

The communists already are preparing the ground for just such a shift. Today in New Delhi and Calcutta you can see large posters in store windows which show graphs of Soviet and American industrial production since 1948. The Soviet line shoots up and ours rises gradually. True, the graphs are deceptive. They make 1948 equal 100, and ignore the tremendous gap in absolute terms that separated U. S. and Soviet production at that time and that still separates us. But, to the uninitiated, this is effective propaganda and could become increasingly so.

This, then, is the nature of the Soviet economic challenge to us. There is no way to resolve this contest except by winning it. To win it, we must meet the Soviet challenge all along the line.

Favors Federally Financed Agency

To deal with the threat of hit and run raids on markets, we may, as I have suggested, have to be prepared to confront Moscow if necessary with power equal to its own, mobilized as in war through a government-financed trading corporation.

To counter the Soviet aid and trade program in underdeveloped countries, we must maintain our aid programs, where they contribute to the building of essential public services, such as irrigation, power, and transport. I would prefer to see more of this done through international institutions such as the World Bank and less done by the U. S. Government institutions such as the Development Loan Fund. I would also like to see the largest possible role assigned to private investment.

Must Maintain Our Own Growth

Finally, to meet the Soviet challenge of growth we must continue to grow ourselves. If the U. S. economy maintains a vigorous and sustained rate of growth, there will be little in Moscow's threats that need frighten us. For growth in the U. S. will not only maintain the advantage that we have over the Soviets in production; it will stabilize the markets and the economies of the whole free world.

One thing is clear in the struggle that faces us: We cannot contemplate any economic setback remotely resembling the Great Depression of the 1930s. Such a catastrophe would mean ruin for the countries that depend on us for markets. It would make it easier for the Soviet Union with its controlled economy to overtake and surpass us.

The immediate prospect is reassuring. We have come through three recessions in the postwar period without at any time encountering the threat of a great depression.

Currently, we are emerging from a sharp but short setback. It is the general opinion, which I share, that the recovery movement is likely to continue throughout 1959 and quite possibly well into 1960.

We are approaching a national production rate of $500 billion—half a trillion dollars—a level which should be attained by sometime next year.

We need not only to grow but to make better use of our resources, material and human. If we are to meet the Soviet chal-

*An address by Mr. Bell before the Executives' Club of Chicago, Ill., Jan. 30, 1959.

lenge we shall need more and better trained scientists, engineers, mathematicians, and highly educated people in all fields to retrain our position of leadership. We need to give more resources to improving the health of our people—both physical and mental. We need to do more to solve the problems of our decaying, congested cities, our choked and failing transportation system, our water resources.

The crucial question is: Can a basically free society, with a private economy that still does the overwhelming share of the nation's work and a central government that provides relatively limited planning and control—can such a society solve these problems of increasing growth, maintaining stability, and allocating resources to the most necessary uses more effectively than a controlled, disciplined economy like the Soviet Union?

Of course we believe we can. We must! But we shall have to be open to change, to new ideas. There is no room for complacency. It will not be enough to do as well as we have done in recent years. We must do better. For example: One of our baffling problems is achieving rapid economic growth while preserving reasonable price stability. As our economy has developed thus far, it appears as though growth and full employment are inexorably accompanied by inflation.

Solving Price-Growth Dilemma

Up until now, we have singularly failed to solve this dilemma. In combating inflation, we have relied wholly upon the traditional means of monetary policy — restricting the growth of the money supply and boosting interest rates. This stereotyped anti-inflation policy has had the inevitable effect of curbing economic growth, even of inducing recession; but has had no noteworthy success in halting inflation.

Clearly we need some new thinking in this area. It is impossible to accept the proposition that we cannot do better than has been done.

In this connection we need to tackle the problem of keeping wage advances in reasonable relation with productivity. And we must also seek ways of reconciling the conflicting aims and aspirations of other groups in this country, without producing inflationary solutions that then produce growth-arresting actions by government and the monetary authorities.

All this will require an improvement in public understanding of what the economic war is all about. In many ways it is easier to rally intelligent support for a hot war than for a cold one. It is even easier to dramatize the need for sacrifices to support an uncomplicated arms race than for an overall, widespread economic struggle for survival. But, with determined leadership from outstanding men in public and private life, I believe we can solve our problems.

In dwelling on the nature of the Russian challenge and some of the apparent strong points that our antagonists have in this struggle, I am not forgetting the fact that the American republic has been a highly successful institution in the nearly 200 years it has been in operation. It has given us, after all, a productive system that is the envy of the world —including the Communist world that is trying so hard to equal it. Through the years, it has demonstrated a flexibility and vitality that no programmed, planned, centrally directed economy can hope to achieve. And above all, it has given us the free institutions that the people of the world desperately long for. It is no accident certainly that the tide of refugees has moved our way—from East Germany to the West, from Hungary to the West—whenever people could escape to freedom.

We can turn this economic war with Russia everlastingly to our own advantage and to the advantage of the entire world. We can accept the challenge and win the contest. Our victory will be one that we can share with the world, even the people of the Communist countries. For it will cut the ground from under and eventually destroy the enemies of the people, the enemies of freedom.

Two With Grant Fontaine

(Special to The Financial Chronicle)

OAKLAND, Calif. — Gilbert M. Miller and Dale A. Dopkins have been added to the staff of Grant, Fontaine & Co., 360 Twenty-first Street.

Ervin E. Stein Adds

(Special to The Financial Chronicle)

SACRAMENTO, Calif.—Aubrey V. Korves has been added to the staff of Ervin E. Stein Investment Company, 1414 Broadway.

Continued from page 12

Support of Businessmen to Help Defend Our Economy

cow Congress, "Capitalism is having difficulties in staying afloat. It will sink under the weight of its crimes against mankind, yielding its place to a really progressive system—socialism."

"Progressive?" To whom is he talking? The American factory worker in January earned an average weekly wage of $87.38. The average weekly wage of Soviet factory workers, including engineers and technicians, is around $18.

As for "crimes against mankind," the Soviet slave labor camps and the wholesale revival of slavery in Red China are the best evidences of how progressive the Communist system can be in its concern for human welfare.

A basic fact to be kept in mind in comparing the Communist economic system with our own is that our national product in 1958 was $437 billion; that of the U.S.S.R. about $180 billion—if you want to believe their statistics.

So much for the Moscow Congress challenge to the pace of our future economic expansion. We also confront two Communist-created threats to our current strength and that of the future. The first is the new Soviet economic offensive—a serious menace which the general public does not yet appreciate.

The fact that a trade-war is less dramatic than a shooting-war does not mean its outcome would be less disastrous.

Until very recently, world trade generally was in historic profit patterns. The sinister novelty introduced by the Kremlin is the use of trade solely as a political weapon. The Kremlin campaigns to disrupt world markets and entice nations into its political web by the seemingly innocent bait of commerce. It sells below cost and dumps goods to destroy the market of those who are in business for normal profit. It can undersell because Moscow controls slave labor. It is not in business for business but for economic warfare.

Let us cite a few examples. Soviet exports of tin to the Free World of approximately 18,000 metric tons in 1958 rose from 12,000 tons in 1957 and only 189 tons in 1955. The 1958 export resulted in a world price drop of roughly 8 cents to 10 cents per pound.

Soviet shipments of ½ million tons of petroleum products to Austria are apparently designed to create serious difficulties for the Australian petroleum industry.

We are all familiar with the sale to the West Germans by the Soviet — Czechoslovakia — of Egyptian cotton at 10% less than the normal Egyptian price.

Even more glaring are the Soviet bloc sales of aluminum. In the period 1955-1957 their aluminum exports rose to some 81,000 metric tons from less than 1,000 short tons in the four preceding years. This was dumping at lowered prices in the face of an admitted domestic shortage.

Legitimate trade, facing such procedures, needs new instruments forged by government and private business together. We are at work on these.

Nuclear Threat and Unbalanced Budget

The second hazard, of course, is imposed by the nuclear threat. The budget of the President—the largest peace-time military defense budget in history—provides for the maintenance of adequate strength to utterly devastate an aggressor.

But the cultivation of a habit of unbalanced budgets in the long cold war could so weaken our economy that it might not be able to continue our great defense deterrent to war. For this deterrent must be constantly modernized as newer weapons and counter measures are invented. Continued national prosperity is essential to afford continued national defense.

Now, let us turn to problems which are made at home. After months of careful weighing of priorities, the President has presented a budget that meets military and civilian needs. Deeply bound up with the stable dollar and an expanding economy are the attempts to unbalance that budget — to appropriate more money than present taxes are estimated to yield.

If the richest nation on earth in the richest year in its history cannot pay its way as it goes, when can it ever be solvent?

You will perform an urgent public service if you help public understanding of the need for a balanced budget and for reasonable price stability which is dependent upon it. Extra take-home pay becomes a frustrating illusion when it is devoured by unstable and rising prices.

Only one out of every 17 in the civilian labor force has the temporary protection of a cost-of-living escalator clause—payable so long as the contract holds or the employer avoids bankruptcy. What of the rest? The white collar worker, the school teacher, the mailman, and all others on fixed incomes lose when their pay checks no longer cover mounting living costs.

The wage-price spiral strikes a double blow at every worker engaged in producing goods that are sold abroad: his family budget is hit by rising prices and his job is endangered. Continually higher prices for goods we need to export eventually force us out of the market. Cheaper goods produced overseas take the business that once was ours. Men lose their jobs at home when we lose our markets overseas.

Businessmen, acting in the national interest, also can acquaint the public with the tragic consequences of inflation on the future security of millions of ageing persons. More than 15 million Americans are covered by retirement pension plans. Inflation will slash the purchasing power of retirement income. Americans own more than 260 million life insurance policies bought with savings. The widow and children, for whom the husband had invested these savings, will be cruelly robbed of expected security. These are the innocent victims of inflation.

If we can protect healthy economic growth from being undermined by inflation, we can anticipate unprecedented opportunities for employment, production and sales in the 1960-70 decade just about to begin. Expanding population, new family formations and increased invention are the sure indications of what lies ahead.

Population should rise from the current figure—it was estimated by the Bureau of the Census at 175,899,708 this morning — to around 214 million in 1970. The Gross National Product should grow from a current annual rate of $453 billion to around $620 billion by 1970.

Advocates 7-Point Program

Having examined the effect upon our future growth and freedom of an unbalanced budget and an eroded dollar, let us turn to the question, "What can we do to help defend our economy?" Although it is probably presumptuous of me, here are a few suggestions to consider—a sort of practical seven-point program of personal action.

First: Declare a one-year moratorium on support for any programs for Federal expenditure which are not in the President's budget, even if your industry or your locality is an intended beneficiary.

Second: Resist the temptation to split the ranks of conservatives because your own idea of priorities for spending may differ.

Third: Search down into the junior echelons of your own organization for ideas on means to cut costs, or to develop new techniques and new products.

Fourth: Think of the public welfare before agreeing to unwarranted wage demands. Big business, in particular, has an extra-mural social obligation to small business whose difficulties are greater because often it cannot absorb rising costs equally well. Think about small business —and think twice about the consumer.

Fifth: Be prompt and generous in recognizing the action of American labor leaders when they defend free enterprise in their discussion with Communists abroad or on visit here.

Sixth: Take a more active part in building public understanding of the widespread benefits to result if the budget is kept in balance, price stability maintained, the dollar protected and healthy growth encouraged. Let your voice be heard.

Seventh: Develop a thick skin, impervious to accusations and criticism from the element which distrusts and despises free enterprise and sees presto-magic only in excessive-spending and the expansion of government ownership and government operation.

Our historic progressive pattern is still sound. Mistakes of the American people in the past have usually resulted from lack of a clear understanding of an issue and its consequences. Once alerted to a danger and the means to avert it, we have taken action in our communities, in our great legislative bodies, and even on battlefields when the chips were down.

In Abraham Lincoln's matchless words, let me leave this heartening challenge:

"Neither let us be slandered from our duty by false accusations against us, nor frightened from it by menaces of destruction to the government. . . . Let us have faith that right makes might, and in that faith let us to the end dare to do our duty as we understand it."

Now With Mitchum, Jones

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Vernon J. Ruble has become affiliated with Mitchum, Jones & Templeton, Russ Building, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Dean Witter & Co.

Anderson With Swift

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Alonzo W. Anderson has become associated with Henry F. Swift & Co., 490 California Street, members of the Pacific Coast Stock Exchange. Mr. Anderson, who has been in the investment business on the Pacific Coast for many years, was formerly with Hooker & Fay and William R. Staats Co.

Two With Keller Bros.

(Special to The Financial Chronicle)

BOSTON, Mass. — Ralph L. Greenberg and James D. Mukjian have been added to the staff of Keller Brothers Securities Co., Inc., Zero Court Street.

Berlin and the Stock Market

By ROGER W. BABSON

Mr. Babson examines Western Germany's thinking about Berlin and other matters, and believes the next World War will be between Russia and Germany. In discussing Berlin and the stock market, he explains why he is 60% bearish and 40% bullish.

I know Berlin. I had an office there before World War I. I also was a correspondent for the New York "Times" and my daughter Edith Babson Mustard and her mother lived in Lucerne, Switzerland, while I traveled throughout Europe. Later we owned a home in Washington, on 14th Street adjoining the Russian Embassy, where I saw much of the Germans. The Germans, at the instigation of Kaiser Wilhelm, pushed south to the Mediterranean Sea. (As a reminder of him, I have the steering wheel of his private yacht at my homestead at 58 Middle Street, Gloucester, Mass.) Soon after the Germans met defeat in World War I, Hitler rallied them again to fight for the same cause, "Pan Germanism" as they called it, presumably with Russia's help.

Roger W. Babson

But Russia has not only become a traitor to Germany, but has secured one-fourth of Germany and a large slice of Berlin itself. The Germans are determined to get this back. The Russians figure that if they can get England, France, and the United States to withdraw their troops, Russia can peacefully absorb Berlin, and perhaps later all of Germany. As a first step in this campaign, Mikoyan was recently sent to visit us.

Berlin Will Not Wait Too Long

Russia will want to postpone her recent Berlin ultimatum as long as she fears China at her "back door"; but the Germans will not wait too long. They are the bravest and strongest people in Europe. If World War III comes, it will be started from Berlin. The Germans believe that they will be backed secretly by Hungary, Bulgaria, the Czechs, and all the Slavic nations. Germany will fire her atomic bombs over these "buffer" countries, while Russia will not dare to destroy them. They may be the safest place to live during World War III, if or when it comes!

Russia pretends that her great enemy is the United States. Russia's talk about Capitalism is merely window-dressing. Russia would like to take us over by infiltration—and the help of a radical pro-labor party in the United States—but not by destroying us. I repeat: Russia fears Germany on the West and China on the East. Germany would like to get to the Persian Gulf and get indirect control of Turkey and India; but her main objective today is to win the Russian satellites—or buffer states, so called. This, Germany is preparing to do. Washington cannot talk about this, but those in authority know it. On the other hand, so long as Russia is able to destroy Germany with bombs, I cannot believe that Germany would attack Russia; but this I will discuss next week. All depends upon whether anti-missile missiles are available.

Berlin and the Stock Market

In a recent column, I stated that I am 60% bearish and 40% bullish on the stock market. My main reason for being 40% bullish is because I believe that the next World War will be between Russia and Germany—and with her allies. Germany would finally win. Wall Street believes that this would be the end of Communism for another 40 years. Although the United States would be in such a war, we would not bomb Russia unless Russia bombed us, but would be content to keep the Germans well supplied with atomic or hydrogen bombs and anything else they might need. We cannot forget Germany's hideous and barbarous crimes under the Hitler regime, but have the German people ever "double-crossed" us as have the Russians? I have this Berlin affair in mind when saying I am 40% bullish.

I am more than ever convinced, since my recent visit to Africa, that the above is the Berlin program. This is why England retired gradually from India. And Great Britain is now in the process of turning seized Germany territory in Africa over to the native tribes, with her fingers crossed as to what the final results will be. Charles DeGaulle and Great Britain will be glad to aid Germany when she strikes. Republicans and Democrats in Washington should stop fighting between themselves; but watch Berlin and trust President Eisenhower, who knows Europe better than any of them.

Eberstadt-White, Weld Group Offers James Talcott Common Stock

An underwriting group managed jointly by F. Eberstadt & Co., and White, Weld & Co., offered for public sale on Feb. 24 a new issue of 150,000 shares of $9 par value common stock of James Talcott, Inc., one of the country's oldest commercial financing and factoring organization's. The stock is priced at $31.37½ per share.

The proceeds will be added to general corporate funds. The increased capital base will broaden the concern's borrowing capacity, which will, in turn, permit the handling of a larger volume of business.

Established in 1854, James Talcott, Inc., supplies funds to concerns in a large number of industries throughout the United States, enabling them to make maximum use of their facilities. The company's principal activities are commercial financing, factoring and industrial time sales financing.

Total receivables processed by Talcott in 1958 amounted to a record $846,448,000 compared with $748,364,000 in 1957. Net income also set a company record, amounting to $2,265,171, up 30% from the $1,747,807 reported in the previous year. Per share earnings equaled $2.63 a share on the 787,148 shares outstanding on December 31, 1958, compared to $2.61 a share on 596,584 shares in 1957. Adjusted for the 10% stock dividend paid in December 1958, earnings in 1957 would have equaled $2.37 a share.

Cash dividends, paid in every year since 1924, are currently at the rate of $1.32 per share annually. Stock dividends of 10% were paid in 1950, 1953, 1956 and 1958.

In 1958, Talcott acquired the commercial receivables of Credit America Corp. (N. Y.), all of the capital stock of Lexington Corp. (Boston), and a $5,000,000 portfolio from Merchants Acceptance Co. (Chicago).

NYSE Members to Vote on Change in Commission Rates

The Board of Governors of the New York Stock Exchange has approved an amendment to the Exchange's Constitution calling for two revisions in the Exchange's minimum commission rates. The amendment will be submitted immediately to the membership of the Exchange for a vote.

The changes approved by the Board were suggested by the Securities and Exchange Commission after lengthy consultations with the Exchange. An increase in the Exchange's schedule of minimum commissions was recommended to the Board by a Special Exchange Committee in March, 1958, after a year-long study. After favorable action by the Board in March, the schedule was approved by a vote of the membership in April, 1958, and went into effect May 1, 1958. In April, 1958, the SEC announced plans to study the commission schedule proposed at that time.

The revisions approved by the Board would reduce commissions on some transactions and raise them on others by:

(1) Reducing minimum commissions on transactions ranging from $100 to $2,400. This would result in lowering the over-all 1958 increase from approximately 13% to about 11.5%.

The effect of the amendment would be to reduce commissions on transactions between $150 and $2,200 by $1.00 — although the basic $6.00 minimum commission on transactions of $100 or more remains unchanged. On transactions between $100-$150, and between $2,200-$2,400, the reductions would vary from a few cents to a dollar. Over $2,400, the commission would be unchanged.

(2) Eliminating the so-called "round-turn" commission on transactions completed within 14 days. The round-turn commission is a reduced rate that applies on the closing side for persons whose purchase and sale of the same security is completed within 14 days. On the closing transaction, the customer pays one-half the regular commission charge plus $5.00 for a round lot or $3.00 for an odd lot.

The round-turn rate was first instituted in 1953, and called for a 30-day turn-around period. In 1958, the period was reduced to 14 days and the commissions increased somewhat. In proposing to eliminate this rate, the Board noted that administrative problems related to these transactions had largely offset anticipated lower costs to member firms.

In approving the proposed amendment, the Board took cognizance of the fact that the round-turn rate — especially after the May, 1958 revision — had not achieved its desired objectives, and the reduction in commissions was in an area where the previous percentage increase had been larger than the average.

The proposed schedule of minimum commissions is based, as at present, on the amount of money involved in a transaction of 100 shares or an odd lot. The commission schedule—which averages about 1% of the money involved—is probably the lowest for the transfer of any kind of property.

The present and proposed schedules, for each 100 shares, are shown below.

Present		Proposed	
Under $100	As mutually agreed	Under $100	As mutually agreed
$100 to 399	2% plus $4.00	$100 to 399	2% plus $3.00
$400 to 2,199	1% plus $8.00	$400 to 2,399	1% plus $7.00
$2,200 to 4,999	½% plus $19.00	$2.400 to 4,999	½% plus $19.00
$5,000 and over	1/10% plus $39.00	$5,000 and over	1/10% plus $39.00

(The basic $6.00 minimum commission for transactions involving $100 or more and the top minimum commission of $1.50 per share, or $75 per round or odd lot, would remain unchanged. Also, the odd lot commission will continue to be $2.00 lower per transaction than the round lot rate.)

Balloting is expected to be completed by March 5, 1959. If a majority of the membership has not voted by that date, the time for balloting is automatically extended for two weeks. Changes in the commission schedule, if approved by the membership, will be effective March 30, 1959.

The Exchange added that under a proposed rule it will announce any proposed constitutional change in commissions or other charges 30 days in advance of action taken by the Exchange's Board.

The Exchange said it will keep the Commission informed of developments in the area of commissions and other charges; give further study, by a special committee, to a so-called volume or block discount rate involving transactions of multiple 100-share units; and develop and refine further—with the assistance of outside consultants and through discussions with the SEC's staff—information on member firm costs of handling securities commission business.

J. M. Pringle & Co. Opens in New York

J. Maxwell Pringle & Co., Inc. has been formed with offices at 26 Broadway, New York City, to engage in a securities business. Officers are J. Maxwell Pringle, President; William F. Sey, Executive Vice-President, Treasurer and Secretary; Frank W. Fell, Frederick J. Close, and John E. Glancy, Vice-Presidents; Lynn H. Hall and Gordon L. Pattison, Assistant Vice-Presidents; Frank L. Brown, Assistant Treasurer; Paul C. King, Harold Meenan, Duncan A. Ryan, Jerry A. Saunders, and William M. Walsh, Assistant Secretaries.

Mr. Pringle, Mr. Sey, Mr. Fell and Mr. Brown were formerly with Stern, Lauer & Co.

Northeastern Investors

Northeastern Investors Corporation is engaging in a securities business from offices at 285 Madison Avenue, New York City. Officers are Joseph Nadler, President; Frank Karasik, Secretary-Treasurer. Both were formerly with Empire Planning Corporation.

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The Decided Change Looming in Government Securities Market

to reduce the take of taxes from each dollar of an individual's income.

Summarizing this period, from 1789 to 1930, we find that the Treasury met with surpluses during 96 of the 142 years—and deficits in 46 of those years. The general philosophy of the government clearly was that it should live within its income and it did so throughout long stretches of years at a clip. Deficiteering was not a philosophy of government. It was not a way of life. Deficits, when they occurred, originated in war and sometimes, but not always, during periods of business recession or depression.

The record for the remainder of our history is in striking contrast. Beginning with 1931 we ran 10 deficits in a row. And, it seems fair to say that this was almost entirely a matter of government policy.[1]

The war years of 1941 through 1946 brought six more years of deficit. This ran the string of successive deficits to 16.

With the close of the war it looked as though, once again, the government was setting out to put its house in order. The Treasury met with a modest surplus in 1947 and a quite large one in 1948. With the 1948-9 recession, the idea that we should spend our way back to full employment, et cetera, again took hold and this produced two more deficit years. Hostilities in Korea then broke out but we had a surplus for the first year in which these were occurring (1951), just the same.

Nineteen-fifty-two—Korea going full blast—ended in a deficit, too. For 1953 a much bigger one was proposed. The Korean war ended then but a large deficit was sustained. Nineteen-fifty-four and 1955 ended with deficits, too—attributable, in part, to the 1954 recession. We achieved two years of surplus in 1956 and 1957. Another year of deficit (1958) and a mammoth deficit for this year—has followed. This deficit, if it may not properly be called the largest peacetime deficit in our history, rightly earns the title of the largest deficit during a year when the United States was not engaged in armed conflict.

All in all, the record of the 13 years since the close of World War II is five surpluses and eight deficits. More depressing is the record from 1931 — 29 years, five surpluses and 24 deficits. Twenty-seven of these 29 years form a period of more or less steadily rising living costs. The first seven of these years, beginning in 1933, may be termed a period of price reflation; the remaining years have been a period of price inflation.

1 After we devalued the dollar (in 1934) the Government started a campaign wherein it proposed to borrow $1 billion a month for 6 months or longer, if necessary. This was in addition to the guarantee of home mortgages, farm mortgages, the activities of the RFC, the NRA and so forth. The objectives were to "reinflate" prices, to reemploy idle business plant and equipment and men and women. The Treasury's deficit for the fiscal year 1934 was $3.6 billion; this amounted to 6% of the gross national product for the preceding calendar year of 1933. Deficits that average almost as much were produced for the fiscal years 1935, 1936 and 1937. Estimated average unemployment during 1933 was 12.8 million; in 1934—11.3 million. Some good portion of the decline unquestionably was attributable to the fact that the initial shocks were wearing off; only a portion might be properly attributed to Government spending. However, unemployment decreased somewhat during 1935, more during 1936 and more during 1937. But, what was the figure for 1938? It had moved up again to 10.4 million.

Commends Policies Until 1930

From the record, I believe the following statements of fact may be unchallengeable. Up until at least 1930, the government of the United States assiduously made a sincere and, taking things altogether, a successful effort to keep its finances in good shape, to maintain the credit of the Treasury. It particularly is noteworthy that after the Civil War and after World War I, the government did a beautiful job of getting its finances in shape and of keeping Federal expenditures well within Federal receipts, for long periods of time thereafter. The record of the government since the close of World War II has not been of that kind.

If we want to excuse this failure on the grounds that the world is not at peace, we must ask how long we can expect to remain solvent. Or, can we keep solvent until the cold war has been won, because the cold war may not end until many, many years have passed.

TABLE I

The Financial Record of the United States Treasury

(Showing the number of years — by selected periods — during which the Treasury met with a Surplus and with a Deficit, for the period from 1789 through 1959, inclusive.)

Fiscal Years	Fiscal Years	Number of Surpluses	Deficits
1789 — 1860	72	48	24
1861 — 1865	5	--	5
1866 — 1893	28	28	--
1894 — 1899	6	--	6
1900 — 1916	17	9	8
1917 — 1919	3	--	3
1920 — 1930	11	11	--
Subtotal	142	96	46
1931 — 1941	11	--	11
1942 — 1946	5	--	5
1947 — 1959	13	5	8
Subtotal	29	5	24
Total	171	101	70

TABLE II

Changes in the Total Public Debt and in the Public's Holdings of This Debt *

(In billions of dollars)

	As of June 30, 1947	As of June 30, 1951	Net Change	As of June 30, 1957	Net Change From June 30,'51 to June 30,'57	As of June 30, 1959**	Net Change From June 30,'57 to June 30,'59**
Total Public Debt	258.4	255.3	— 3.1	270.6	+15.3	286.2	+15.6
Non-Public ‡—							
U. S. Governm't accounts	32.8	41.0	+ 8.2	55.6	+14.6	55.5	— 0.1
Fed. Res. Banks	21.9	23.0	+ 1.1	23.0	---	25.3	+ 2.3
Savings bonds—held by individuals	45.5	49.1	+ 3.6	49.1	---	46.6	— 2.5
Total	100.2	113.1	+12.9	127.7	+14.6	127.4	— 0.3
Remainder—Publicly held	158.2	142.2	—16.0	142.9	+ 0.7	158.8	+15.9

*Total Public Debt, less amounts held by Government accounts, the Federal Reserve Banks and also excluding savings bonds held by individuals.

‡Excluded for the purpose of market analysis, see note above.

**Partly estimated.

Changes in the Total Public Debt And in the Public's Holdings Of This Debt

As you know, deficits in the Federal budget result in increases in the public debt and surpluses result in decreases in the public debt. But, we are also interested in the resultant changes that occur in the public's holding of the debt.

For the purpose of such examination, it is worthwhile to divide the postwar period into three phases: One beginning with the close of the fiscal year 1947 and ending with the close of the fiscal year 1951, a second beginning with mid-1951 to the close of fiscal 1957, and a third beginning then and ending next June.

I start with the end of the fiscal year 1947 because, by the middle of that year, the Treasury had been able to mop up (by debt reduction) the large but unnecessary sale of Treasury securities that took place via the Victory Loan Drive. I chose the end of fiscal 1951 as the end of this first period and the beginning of another because that was a convenient point at which to divide the past from a future in which flexible monetary policies were to prevail. I ended the second period with mid-1957 for reasons that will later become apparent.

Now, the amount of the public debt that is held by the general public is easily arrived at by subtracting from the total public debt the amount of government securities that are owned by the Federal Reserve System and by government accounts.

For the purpose of market analysis it also is desirable to make a further adjustment. As you know, a considerable amount of government securities are outstanding in the form of savings bonds held by individuals. The bulk of these savings bonds are Series E issues and the total so held is reasonably constant; fluctuations in the amounts outstanding due to changing market conditions have been relatively small, so we also subtract out the amount of savings bonds held by individuals. The residual figure is the amount of government securities that are held by the public and its institutions. So, when I speak —from now on — of the **public's holdings of the debt** I will be referring to that amount of government securities which is held outside of the Federal Reserve Banks and government accounts, with individual holdings of savings bonds also excluded.

These changes — in the total public debt and in the public's holding of the debt—are set forth in summary form in Table II. You may observe (from the third column from the left) that during the four years ending June 30, 1951, the total public debt decreased by $3 billion. Also, you may see (from the bottom figure in this column) the public's holdings decreased by $16 billion. A large increase in the amounts held by government accounts and an increase in the value of savings bonds held by individuals was largely responsible. Such additions, plus net purchases by the Federal Reserve banks, totaled $13 billion.

The significance of such changes in who held what re the public debt is this: Although the fiscal operations of the government (the budget) permitted the public debt to be cut by only $3 billion (via debt reduction) without recourse to the market—an additional $13 billion of buying power was supplied by Treasury debt operations and Federal Reserve open market operations; therefore, an additional $13 billion reduction in the public's holdings ensued. A part of this took place in the same way as most debt reduction occurs —through redemption at maturity for cash. But, and this is important, large amounts of the public's holdings were liquidated via market sales. The Federal Reserve Bank of New York was the buyer. It bought for the account of the 12 Federal Reserve banks and it bought for government accounts—at prices and yields that were set, for the large part by the Fed; these prices clearly being much higher than they would have been had the sellers been obliged to find buyers such as, say, you and me.

During the next six years, ending June 30, 1957, the public debt increased by more than $15 billion but as you may see (from the bottom figure in the fifth column from the left) the public's holdings of the debt increased by only $700 million. Nearly all of the increase in the total public debt was absorbed by government accounts. Thus, although the fiscal operations of the government (the budget) were responsible for a $15 billion increase in the total public debt, the net weight of this increase was relatively nil as far as an increase being required in the public's holdings.

The prices and yields of government securities, therefore, reflected (1) the changing demands for capital and credit on the part of private borrowers and state and local governments and (2) the desires of the Treasury to lengthen the average maturity of its debt. These efforts by the Treasury were unsuccessful. The average length of the marketable debt was measurably shorter as of June 30, 1957 than it had been as of June 30, 1951. Of course, this means that the Treasury found it impossible to run fast enough to keep up with the passage of time. Its efforts to do so, however, added to the pressures that were forcing government security prices downward and yields higher.

Now let's look at the third period, from June 30, 1957 to June 30, 1959—with the help of some projections from now to then. The impacts from the fiscal operations of the government (the budget) underwent a fundamental change. As you may observe (from the right hand column of Table II) the total public debt will increase by about the same magnitude as during the last period discussed—$15½ billion — but the public's holdings will be up, this time, by almost $16 billion! Government accounts which had been such large buyers ($23 billion in the previous 10 years have been unable to buy anything on balance. Further, the net purchases of the Federal Reserve banks were offset an almost comparable decrease in the value of savings bonds held by individuals.

This shift — from a situation wherein Government accounts had absorbed the deficits to one wherein the public has to do all of it was bound to have a profound effect on the prices and yields of Government securities at some point. That point came last summer. By June 30, 1958, the total public debt had increased by less than $6 billion; public holdings had increased by hardly more than $4 billion. The bulk of the increase in the total public debt and in the public's holdings were to follow—under the most unfavorable conditions imaginable.

And we are not yet through with the impacts of this large scale deficit financing — all of which must be placed with the public. Although the publicly-held debt may decrease by $1 billion, maybe $2 billion between now and June 30 next, the Treasury will be selling a lot of securities for cash. When it was raising money during the last half of last year it had to use such short-term securities that it is, in effect, in the process of refinancing the deficit for 1959. We'll get to the scale of prospective Treasury cash and refunding financing later but I want to make this point right here. If the budget for 1960 looks like it is going to be unbalanced for any reason—additional spending beyond the proposed $77 billion figure or a shortfall in receipts (below the amounts estimated) or both—then the amount of prospective financing will be enlarged. That means the public will be asked to buy *more* Government securities in an environment that may well be far more unfavorable than the one we've been through.

Major Changes in the Ownership Of the Publicly Held Debt

The impact of the budget, that is of increases and decreases in the total public debt, on debt ownership by types of holders is quite important. Such changes in ownership bear on the degrees by which the budget results tend to increase or to decrease the money supply, to affect interest rates and the availability of credit to business, to home buyers, etc. So let's look at debt ownership. First, on the basis of the changes that took place during the 10

TABLE III

Major Changes in the Ownership of the Publicly Held Debt

(In billions of dollars)

Type of Investor—	Net Change From June 30,'47 to June 30,'51	From June 30,'51 to June 30,'57	From June 30,47 to June 30,'57	From June 30,'57 to June 30,'59*
Insurance Companies	— 7.5	—4.8	—12.3	— 0.5
Mutual Savings Banks	— 1.9	—2.3	— 4.2	— 0.8
Subtotal	— 9.4	—7.1	—16.5	— 1.3
State & Municipal Funds	+ 2.3	+7.5	+ 9.8	----
Individual Marketable	— 4.8	+2.4	— 2.4	— 2.0
Nonfinancial Corporations	+ 6.4	—4.7	+ 1.7	+ 1.5
Miscellaneous	+ 1.1	+5.3	+ 6.4	+ 1.2
Commercial Banks	—11.6	—2.6	—14.2	+16.5
Total	—16.0	+0.7	—15.3	+15.9

*Partly estimated.

TABLE IV

Tentative Time Schedule of Treasury Financing Excluding Weekly Bill Offerings

Approximate Timing	(In billions of dollars) Cash	Refunding*
Late March	$4 to 5	
Early May		$4.4
Late May	$1 to 2	
Late June-Early July	$4 to 5	
Mid July		$5.2
Late September-Early October	$5 to 6	
Early November		$3.7
Late December	$1	

*Publicly-held only, estimated, including May 15 bills.

years ending with the fiscal year of 1957 and, secondly, on the basis of the changes that have been taking place since then (once more with the help of some projections to the middle of this year).

Table III shows the changes that have taken place in debt ownership, by principal types of public holders, throughout the same periods of time we have been discussing—the four years ending June 30, 1951, the six years ending June 30, 1957 and the period from then to now, once again with the help of some projections to June 30 next. The table also gives the figures for the cumulative changes over the 10 years ending June, 1957.

I am going to deal, first, with the latter—the 10 years ending June 30, 1957. These may be summarized as follows:

State and local governments were the best buyers although they ran a poor second to U. S. Government accounts. Miscellaneous investors were reasonably substantial buyers, but foreign account bought more than one-half of the total and such purchases, perhaps, should be considered as a one-shot operation. Individuals helped (largely through purchases of savings bonds) but this was in the early part of the period. Nonfinancial corporations bought on balance, but only in a modest way. The Fed helped absorb some of the increase in the public debt, too.

There were two principal groups of sellers. The insurance companies and savings banks, taken together, were much the largest. The other principal sellers were commercial banks.

I would like to offer a few observations about these changes. Had insurance companies and savings banks not reduced their government holdings by such amount, or had they been unable to do so for any reason, then the reconstruction of our business plant and equipment, the rebuilding of slum areas, of roads, the ending of the housing shortages, et cetera, would have been held back. It also is important to keep in mind that the government is its own best competitor for the investible funds of such institutions (and of other holders of its direct obligations). This is so because of the government's guarantee of VA and FHA mortgages. These are looked upon by most investors as government guaranteed obligations. The holdings of these by insurance companies and savings banks have increased substantially more than their holdings of the government's direct obligations have decreased.

Miscellaneous investors is the classification that includes savings and loan associations. This category also includes personal trusts, pension funds, dealers, credit unions and so forth, plus foreign accounts. As a group "Miscellaneous investors" increased their holdings by $6 billion but "foreign accounts" took on more than half of these. These purchases took place in the years following the adoption of flexible monetary policies in this country, as "going rates of return" were reestablished for money market issues.

Now let's look at the principal changes in the ownership of the publicly held debt that have occurred since the middle of 1957, projecting the figures on an estimated basis for the period from now to the middle of the year. Keep in mind that this period is the one wherein increases in the total public debt have had to be or will be taken in entirely by the public.

Insurance companies and savings banks continue to be net sellers on balance. The amounts sold have been smaller than they were during earlier years, probably because the percentage of governments held to total assets has become quite low. Moreover, as long as Congress insists upon stimulating housing activities, the buying power of these institutions may be needed for government guaranteed mortgages—along with the mortgage lending power of the savings and loan associations—if the FNMA is to avoid becoming THE market for VA and FHA loans.

State and local governments no longer appear as a star buyer of Treasury deficits or much, if anything, in the way of net buyers of intermediate and long-term bonds. It long has been plain that an increasing number of State and local governments have seen fit to release themselves from their earlier status—that of being captive to the Treasury. One by one these funds have been granted more broadened investment authority and their new money is being placed in mortgages and non-Federal Government obligations. Some funds have sold government securities to reinvest in other, more remunerative investments, too.

Individuals have been sellers.

Nonfinancial corporations have been good buyers recently but proved to have been modest net buyers over the period. A correlation has existed between the amount of governments held by nonfinancial corporations and the amount of their Federal income tax liabilities outstanding. However, due to the reverse Mills plan, which is in the process of completion, the peak amount of such income tax liabilities will be lower than it used to be—at least, for some time.

Miscellaneous investors appear to have been selling on balance except for foreign accounts but as a group they can't be counted on to buy much.

Commercial banks have bought a raft of governments since mid-1957; it looks as though the banks may be the only buyers left. This seems particularly likely to be the case when one keeps in mind that "the big buyer"—government accounts—has run out of money.

What has been going on during the last two years points up, therefore, what may go on if Congress insists upon handling Federal finances so that further deficits ensue. The two principal buyers—U. S. Government accounts and State and local government funds—will not be there. Since the middle of 1947 these two buyers absorbed $32 billion of government securities, while the total public debt was increasing by something less than $28 billion.[2] Clearly, other buyers will have to be found if deficiteering is to continue as a way of life for the government. The trouble is other buyers seem to have gone to lunch. Insurance companies and savings banks are likely to be using their funds to buy "guaranteeds"—VA and FHA mortgages, rather than direct obligations. Individuals appear to be poor prospects. The same goes for nonfinancial corporations, at least in terms of what they might buy versus the amounts the government will have to sell. Miscellaneous investors are hard to generalize about but, in the main, they do not appear to be a good bet — particularly if foreign accounts are caused to remain concerned about the dollar.

Thus, we come down to the banks. They seem to be about the only buyers that are capable of absorbing or are likely to absorb any further necessitous increases in the public debt. Does this kind of a situation have anything to do with inflation? And the 1960 budget? Of course, it does.

[2] **It is of interest that during the period beginning with the *fiscal year 1953* and ending with the *fiscal year 1959*, the official figures show an increase in the total public debt of $27 billion. During these 7 years the Government will have spent $23 billion to support farm prices and to increase farm incomes, a sum equal to 7/8ths of the increase in the public debt during this period of time.**

The Financing Schedule That Confronts the Treasury

The table you have gives you in tentative fashion, an idea of the kind of financing schedule the Treasury will have to undertake.

You should keep in mind that a difference exists between the net cash borrowings of the Treasury and the amount of cash financing it must undertake. For example, the Treasury has outstanding $3.6 billion of March tax anticipation certificates and $3.0 billion of June tax anticipation bills, a total of $6.6 billion. The Treasury is expected to redeem in cash whatever portion of these is not tendered in payment of income taxes. The Treasury hasn't enough free cash to do this, however, without raising some of the money in the market. The cash financing that the Treasury will undertake between now and the close of the fiscal year arises from this situation.

Perhaps I also should tell you that this tentative financing schedule—a quite heavy one as you can see—is based on estimates that are not far from those submitted by the President in his budget message. We are about $1 billion less optimistic for the results of fiscal 1959; and not much less optimistic than that re the first half of fiscal 1960—that is, the last half of this calendar year. I am not sure that such optimism is justified — we simply approached it this way for our working estimates.

One final point on the heaviness of the Treasury financing schedule. The Treasury has made some progress in clustering its maturities around four dates about three months apart. The need to finance for cash, however, keeps arising. Hence, the Treasury is likely to find, before this calendar year is out, it will have been in the market 10 times. This is a larger number of times than it was in the market last year or the year before or even during 1953. Such frequent financing is not helpful. It keeps the market off balance and more or less steadily under the threat of more intermediate and longer-term securities that might help to lengthen the average maturity of its debt—threats that tend to push-up the yields in the market well in advance of the dates on which such securities may be offered.

Conclusion

Altogether, it seems to me clear that the Treasury has quite a job on its hands. It is going to be difficult indeed for it to do much financing outside of the banks. Such a prospect carries with it the usual inflationary connotations. Therefore, if Congress elects to spend money over and above the $77 billion proposed by the President—for whatever purposes—the future inflationary potential will be enlarged. The need of our times is for Congress to eliminate wasteful programs (the farm price and farm income supports, for example) and to avoid new programs or unnecessary appropriations for low priority purposes.

I hope that we will find that Congress is fully aware of what is needed. I hope that we will find that there are enough people in this country who care enough about what happens to it to scream the house down from here on, so that Congress will not be tempted to be lax in its number one duty. This is to repair the condition of the government's finances and to make it clear that the credit of the Treasury will be maintained — by promoting a stable currency.

You and I, as individuals, have a definite interest in what happens. I hope that you, therefore, will let it be known to your representatives and senators in Washington, in unforgettable ways, that you are concerned about the deficiteering process and that you want it stopped for once and for all. I hope that you will urge your wives and your friends to do the same and that you will urge upon them that *their* wives and *their other* friends do the same, too.

In times when the battle of the budget takes on such vast importance, I find myself recalling two statements made by men who have fathered and mothered the Communist ideology. Karl Marx said that the government should follow the precepts of "From each according to his abilities, to each according to his needs." Our government already has done too much of this. The other saying is attributed to Nikolai Lenin. It is this: "It is true that Liberty is precious—so precious that it must be rationed."

Howard Gasaway Joins Ohio Company

COLUMBUS, Ohio — The Ohio Company, 51 North High Street, has further expanded its underwriting staff with the appointment of Howard H. Gasaway, who brings a varied background in manufacturing, management and accounting to his new position.

In accepting the appointment, Mr. Gasaway terminates a 12-year association with Omar Bakeries, Inc., where he was manager, successively, of the Peoria, Ill., and Omaha, Neb. offices. He has been general manage of the bakery firm's Ohio division, at Columbus, for five years; and, in addition, for the past year and a half, has been Vice-President of Omar, Incorporated. In the past, Mr. Gasaway was Treasurer and Controller of Streeter-Amet Company, Chicago, and has been associated with Burroughs Adding Machine Company, and the accounting firm of Ernst & Ernst.

Eastman Dillon Adds

PHILADELPHIA, Pa.—Eastman Dillon, Union Securities & Co., Philadelphia National Bank Building, members of the New York Stock Exchange and other leading exchanges, announce that Harry J. Binder has become associated with them as a registered representative.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co., Inc., and associates, yesterday (Feb. 25) offered $5,130,000 of Chicago, Rock Island & Pacific RR. 4⅛% equipment trust certificates, maturing semi-annually Aug. 15, 1959 to Feb. 15, 1974, inclusive. The certificates are scaled to yield from 3.50% to 4.20%, 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 600 box cars and 8 Diesel electric locomotives, estimated to cost $6,840,000.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Freeman & Co.; Ira Haupt & Co.; McMaster Hutchinson & Co.; and Wm. E. Pollock & Co., Inc.

Joanna Kay Appointed by Lorraine L. Blair, Inc.

CHICAGO, Ill. — Lorraine L. Blair, President of Lorraine L. Blair, Inc., 30 N. La Salle Street, has announced the appointment of Miss Joanna A. Kay as First Assistant to the President. Miss Kay has been a member of her firm since its inception as cashier and trader. The company, only major investment house in the nation, headed, owned and operated entirely by women, now has a staff of nine women registered representatives.

Miss Kay, one of the first women bank executives in Wisconsin, had her early financial training at the Home State Bank of Milwaukee. She has also served as Assistant Secretary of Brew-Emch-Jenkins Co.; Vice-President, Secretary and Director of Emch & Co.; and Secretary-Treasurer, Phillips Securities, Inc., Milwaukee investment firms.

Continued from first page

As We See It

those whose duty it is to shape national policy are quite so gullible.

How to Do It

As a result of all this, the question has again arisen as to how these objectives are to be reached. It has now become clearer than ever that there is wide disagreement as to how such broad policies as these are to be implemented in actual practice. Of course, the rank and file of the Democratic party, naturally as a matter of practical politics, are deeply dissatisfied with the way that the present Administration proceeded in 1957 and 1958 to prevent or to limit the growth of unemployment. But there are differences even among the President's own party, and for that matter among many commentators outside government. The reader hardly need be reminded that this broad subject has in past years been the subject of long and tedious testimony by all manner of people. As usual, though, these discussions and papers failed to convince in many instances. In point of fact there was about as much disagreement among the doctors called in as there was and is among the politicians themselves.

Nonetheless, further hearings are now being arranged. This time there is the further complication that such added objectives as prevention of inflation and control of the rate of growth are to be explored. The question has indeed been raised as to whether the objectives as now envisaged are as a practical matter consistent among themselves. That is to say, certain members of the national legislature wish to determine whether any national policy or program can in the nature of things at one and at the same time promote full employment, a higher rate of growth and price stability. There are, of course, a good many who doubt it. Many of these would not trouble themselves much about inflation—or would undertake to keep prices steady by fiat — and concentrate upon full employment as a humanitarian objective and a more rapid rate of growth in order to keep pace with Russia.

Start at the Beginning

It is probably a good thing to have these problems thoroughly aired even if reference to the record of previous hearings would provide much of what may be expected from further inquiries. But these inquiries should start at the beginning—as previous efforts did not. The first and most vital question to be answered is not whether national policy can attain all these three objectives, but whether we can at least in any of the ways proposed hope to achieve any of them. What evidence is there that, by injecting itself into the situation, government can abolish or very greatly moderate what is known as the business cycle over a substantial period of time? Certainly this is a case where he who affirms must prove. History is strewn with schemes to maintain stable prices. Arguments, particularly in connection with banking and credit, are to be found in the literature almost without end. No one as yet has, so far as we know, come up with any convincing evidence, either theoretical or practical, which points to reasonable hope of success through direct action of the sort now apparently in contemplation.

As to setting some predetermined rate of growth, the idea appears to be borrowed from the Russian experiments of the past two or three decades. We have already in this column taken pains to expose the weakness of most of these popular conceptions. To have any real economic meaning, planned growth would have to blue-print the course of each of the major industries, indicating which should proceed at this and which at that rate. Mere enlargement of total output could very well leave the situation worse than before. Meaningful growth must mean enlargement in the production of those things that are wanted and needed. Short of a complete socialization of industry it is not easy to see how really meaningful progress could be made by government in promoting growth—and socialization of industry could not fail to bring disaster.

Now if the powers that be really want to do all they can to promote full employment, a rapid growth of industry and trade, and as nearly stable price levels as can be attained in this very real world in which we live, the proper course for them to pursue is plain as a pikestaff. It is precisely the opposite of virtually all that has been tried or suggested in recent years. What is needed is for government to withdraw from the field of managing or in any way tinkering with the economic system. Let Congress and the Administration begin tomorrow to plan a full retreat from the New Deal and a return to traditional American principles, and we should be on the road to the objectives now set forth by those who would try to substitute their poor wisdom for the natural forces which can be counted on to bring out the best that is in us.

They should proceed to withdraw from competition with business, from all the meddling now indulged in, reduce expenditures accordingly, introduce basic changes in our system of taxation, and see to it that competition is restored everywhere—including labor unions. Most of our worries would then be on the way out.

Continued from page 10

Freedom of Competition In the Space Age

past twenty years, but in the absence of an adequate and effective antitrust policy, its competitors have existed because of the pursuance by General Motors of policies that permitted them to exist.

States GM Tolerates Competitors

General Motors has the power to eliminate some other companies from the automobile industry. Evidence of this ability is contained in its profit level. If General Motors should decide to operate at a satisfactory average of loss and profit for all industry, of say 6%, there would be fewer companies left in the automobile industry in a short time.

Now, because of their tremendous contribution, General Motors is entitled to much more than an average profit, just as Floyd Patterson is entitled to more than the average purse of the average heavyweight. To provide incentive and competition, the champion in industry should expect and receive a champion's reward. If he does not, he reduces or eventually eliminates the rewards for everyone else. It is one road to establishing and maintaining a monopoly position.

Additional evidence of GM's power is that between 1952 and the fall of 1958, the General Motor's position in industry matters rendered industry cooperation in the non-competitive areas relatively ineffective. General Motors leadership during that period tended to follow a practice of prematurely saying, in effect, "This is our position, take it or leave it."

UAW's Advantage

Another point of grave concern is that the championship level of General Motors' profits has become the focal point of the UAW's collective bargaining demands directed essentially at General Motors and has used General Motors' greater ability to pay to convince the public that the union's demands can be met by General Motors without serious financial difficulty.

The key question raised by the UAW collective bargaining strategy is "Are General Motors profits too high?" This question must be answered to the satisfaction of the American public. Finding the right solution to our national labor policy, our national antitrust policy, and indeed, to the current concern over the wage-price spiral depends on arriving at the right, the true answer.

I think to find the true answer the people need to know this fact; that unless we are going to substitute some other means of disciplining our economy for the principle of competition—and the only other means I know of involves absolute authority of either a public or private character — then the question of whether a particular company is making too much money depends on whether that company lacks adequate competition. If the company is earning the money in the face of an adequate number of competent competitors, then its profit becomes a measure of its efficiency and ability and a measure or reward for its contribution. To deny a high profit level for reasons other than a company's domination of a market or its lack of an adequate number of competent competitors would be to destroy the effectiveness of freedom and incentive in the American economy.

Now what is the situation in this respect in the automobile industry? Anyone interested in this subject should carefully read the testimony given before the Kefauver Committee a year ago by T. O. Yntema, financial Vice-President of the Ford Motor Company. He spelled out with great clarity the fact that no automobile company other than General Motors has sufficient financial strength to be certain of continuity. The rough-going of 1958 for most of the industry has not improved the basic situation.

Citizens and consumers must be satisfied that profits being earned by a company are achieved in competition with an adequate number of competent competitors. Unless they are satisfied, we are really exposed to the ability of those now attacking our economy to persuade the people that the government should intervene in some manner that will seriously impair the functioning of our competitive system. This is already developing and spreading. We are confronted with reluctant Presidential hints of wage-price control. We are threatened with UAW backed legislative proposals for price hearings prior to companies' instituting price increases and many other regulatory proposals.

The future of economic freedom in this country is contingent upon the people's confidence in the principles of "consumerism" and particularly competition. I believe this depends upon strengthening and modernizing our antitrust laws as well as effective public communication.

In each of our major basic industries, we need the certainty of an adequate number of competent competitors to insure the public that whatever profits are being earned, are being earned as a result of adequate stiff competition. We should fix the tolerance on the side of **too much** rather than too little competition.

Repeats Recommendations

Preservation of the competitive principle in America is dependent upon its complete development by provision for economic birth as well as economic death in our major basic industries. Before the Kefauver Committee I made these specific recommendations pertaining to degree of market domination in such industries:

When an individual company engaged in only one basic industry is doing more than 35% of the business, or, when a company engaged in more than one basic industry is doing more than 25% of the business, such companies should be required to submit their own programs for reducing their percentage of the particular business involved. An obvious way for them to do this would be through the creation of more than one company from the old company. In other words, by the process of division, or economic birth. Adherence to such percentage figures guarantees the future existence of four or five companies in each basic industry. They do not require the breaking up of General Motors, or any other company, into more than two companies even on the basis of General Motors' present position.

While some seem to think that this is a radical idea, basically, it isn't new at all. The basic idea is identical with that used in the anti-trust laws to break up an unlawful monopoly. The best known example of this was the old Standard Oil Company which was broken up into what has become 38 companies, of which four are among the 20 largest American companies. The basis of that break-up was decided by the government.

Within the past year the Department of Justice has resorted to the principle of economic birth to resolve an antitrust case involving the United Fruit Company. In this instance the Department of Justice entered into a consent decree as a result of the United Fruit Company agreeing to create within 10 years a separate company to engage in the same business as an independent competitor. If American consumers are suffering from the consequences of United Fruit Company's concentration, isn't 10 years a rather long gestation period for the creation of needed competition? In principal, the proposal I have made is substantially the same except that the company involved would be permitted to determine the basis of the division or birth. Only if it failed to act within a reasonable time, would the government determine the basis of division or divestiture.

Not a Penalty

This proposal would reward, not penalize General Motors for being successful. It would give us the advantage of two companies with the potential competence of General Motors, instead of one. To illustrate my point, let me tell you a little story.

About 15 years ago, an elderly friend was at my home one evening and my five year old daughter was being mesmerized by his grandfatherly charm. In the spontaneous expression of her love and affection she said, "I wish I could have two daddies, because if I could have two daddies, you would be one of them."

One of the highest compliments you can pay a person is to say, "I wish you were twins."

Isn't this in essence what I am saying about General Motors? Furthermore, if you will analyze the current position of General Motors, it cannot grow significantly in the automobile industry without finding itself in difficulty with the government and the anti-trust laws, even though the anti-trust laws are currently deficient in their application to companies that clearly dominate an industry.

Experience with the antitrust laws indicates that they do not effectively apply to companies on the basis of their possession of excess economic power or their ability to monopolize an industry. Basically, the present antitrust laws apply where excess power of a monopoly position is used with the "intent" of monopolistic action. This necessity of proving "intent" has been one difficult aspect of applying the antitrust laws to the growing concentration in American industry.

I do not suggest that General Motors has deliberately undertaken to establish its present position of power in the automobile industry for the purpose of dominating the industry or establishing a monopoly. Nevertheless, it has established the position that gives it the power to do so.

Stockholder Protection

The proposal I made before the Kefauver Committee called for amendment of the tax laws to postpone payment of a capital gains tax in the event of birth by division until such time as the stockholder disposed of his stock in one of the continuing companies. This would not deprive the government of revenue. It would simply make the capital gains tax payable when stock is sold, rather than at the time of the birth of the new companies.

From a stockholder's standpoint, the greater the growth of the company in which he holds stock, the greater the opportunity for financial gain both through earnings and capital gains. From the standpoint of management personnel, the existence of two companies in price of one provides opportunity for twice as many executives to attain the experience and growth that comes through full management responsibility.

Adoption of a birth policy would, I believe, change the attitude toward industrial growth without enactment of new laws but simply the modernization of the old. Building a company to the point where it became the source of more than one company could become a recognized industrial achievement of the highest order.

Some have suggested that such a policy of economic birth would deprive us of the benefits of size, research, improvement, growth, incentive, consumer benefits or national defense.

Criticism of this proposal on these grounds overlooks its inherent nature, and present industrial and national defense practice. But time precludes my discussing them now. Let me simply point out it would not end bigness and that the principle of economic birth is one of the keys to unlimited opportunity for industrial growth and progress. Without this principle, a company like General Motors at some point is confronted either with the question of holding its percentage of a market below whatever level is considered dangerous to exceed for fear of antitrust law action, or it faces the consequences of antitrust action and mandatory division — or we substitute government control and regulation.

Benefit to the Nation

Aside from assuring the maintenance on an adequate minimum number of competent competitors in our basic industries, how would this proposal benefit the nation?

As already pointed out, it would insure an adequate degree of consumer choice and competitive discipline.

It would remove the shackles from corporate growth.

It would provide the basis for effective industry cooperation by basing that necessary function on a greater degree of competitive equality.

It would remove a principal excuse for the excess power now wielded by monopolistic unions. The significance of this benefit should not be underestimated. A public opposition to excess concentration of industry power would strengthen public opposition to excess union power. The latter problem will not be effectively corrected until a national political party convincingly dedicates itself to the elimination of excess power, whether in industry, unions or elsewhere.

By paving the way for the elimination of the conflict in our national economic policy — the conflict between the competitive policy of the antitrust laws and the monopolistic policy of the labor laws — it would result in employer and union responsibility being organized on common economic principles and the end of economic conflict based on class warfare.

Finally, it would reduce the threat of government regulation and by a more adequate division and dispersion of private power, decrease the justification for the excessive concentration of Federal power.

Henry Simons, late professor of the University of Chicago, voiced a fundamental principle when he said: "Any community that loses the discipline of competition exposes itself to the discipline of arbitrary authority."

Except for the part played by self-discipline, and certainly this is an indispensable part, ultimate discipline in any society must rest on the competitive principle or the exercise of absolute authority.

Depicts Hard Choice

Basically, our choice is between competition and regulated industrial concentration or monopoly. Competition results where the government establishes policies that insure the effective operation of the competitive principle. This makes is unnecessary for the government to engage in detailed regulation. On the other hand, regulation on the basis of industrial concentration or monopoly invokes detailed regulation of the important elements of enterprise and compels the government to substitute its decisions for the consumers' decisions.

We are moving in the direction of governmental control resulting from a lack of confidence in the adequacy of competitive discipline. Such central control and regulation is the brute strength of communism. It is not the superior strength by which America has achieved the highest known degree of human well-being and material abundance. We stress the element of human well-being and self-realization ahead of our material abundance because in shaping our national policies and programs we must give priority to the opportunity for individual expression and growth if we are to realize the greatest results in a material way. The two are interlinked.

As Woodrow Wilson said, "This nation cannot survive materialistically unless it redeems itself spiritually." Carlyle wrote, "It is the spiritual always that determines the material." In the long run, this is true with individuals, organizations and nations.

When I appeared before the Kefauver Committee last winter, the most gratifying result was the flat statement at the end of my testimony by each Democratic member that they recognized the need to divide both the power of unions and excessive industrial concentration. This raised my hopes because of the fundamental change this represented in their position. They had previously attacked industrial concentration but had been silent about the even greater concentration of union power. It was deliberately political, therefore, when the committee majority limited their automobile recommendations to an attack on General Motors. Our economic situation would be impaired, not improved, by action that would reduce the ability of General Motors to withstand the monopolistic power of the UAW.

Corollary Action Against Unions

To seriously propose the division of General Motors and at the same time to ignore the even greater concentration of union power is a narrow and dangerously short sighted political position. Those who are exclusively focusing their attack on the concentrated power of industry are in my judgment either deliberate demagogues, uninformed, or political puppets.

Again, what we desperately need in this country is a political party that will dedicate itself to the fundamental principles of Americanism. These principles have from the beginning called for the dispersion and distribution of all forms of power—political, economic, social and others.

We have a long way to go in developing our present degree of economic freedom to the point where it will provide full opportunity for economic expression and participation by each willing American. Our past accomplishments have not produced organizational structures that have provided the self-realization for all. Fortunately, we have proven the fundamental essential economic principles necessary for our rush into the space age with all the economic, social and political implications of atomic power and electronics.

Adherence to principles of consumerism is vital if America is to provide world leadership in the space age. However, this is in jeopardy because we are approaching the point of no return in reversing the trend toward centralization of political, economic and social power. Heaven help us if we substitute "statism" for Americanism. Unless Americans — and particularly American businessmen—are willing to witness the truth as they know it, and work diligently on the problems as they recognize them, there is no hope for our future.

Carl Sandburg once said: "If America forgets where she came from, if people lose sight of what brought them along, if she listens to the deniers and mockers then will begin the rot and dissolution." The deniers and mockers who are already here and well organized cannot be defeated by silence, conformity or expediency. It is not just what we are capable of accomplishing and producing that is in jeopardy; it is what we have **already** accomplished and produced. The inherent nature of our task is indicated by the great truth voiced by Thornton Wilder when he wrote: "Every good and excellent thing stands moment by moment on the razor edge of danger and must be fought for."

The magnitude of our past success in America, though it confronts us with problems of a most fundamental nature, has also opened the door for unlimited accomplishment. Our frontier is as broad as knowledge and space and the unlimited capacity of human beings. It is world wide. We need a space age outlook. We also need to envision what America can do by fully establishing political freedom and more effectively developing the principles of economic freedom. We need modern political, economic and social pioneers and non-conformists who cannot be deterred by material plenty, political ambition or social diversions. We need American pioneers with a world vision and a world identity based on a dedication to the principles of human liberty, social justice, world peace, economic abundance and the divine rights of man.

Three With Hecker

PHILADELPHIA, Pa.—Hecker & Co., Liberty Trust Building, members of the New York Stock Exchange and other leading exchanges, announce that Walter A. Fischer, W. J. Hole and Robert T. Hughes have become associated with them as registered representatives.

With Herbert Stern

Herbert E. Stern & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, announced that Joel Price has become associated with their firm as an analyst in the Research Department.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

The 1958 reports of the fire-casualty insurance companies are beginning to appear, and, while they cannot be said to show good results in underwriting, they do show some promise of better things ahead.

Aetna Insurance reported net premium volume of \$99,995,000, down from \$103,247,000 a year earlier. There was an underwriting loss of about \$1,010,000, versus a loss of \$6,125,000 in 1957, a hefty improvement even though underwriting was still in the red. These figures are for the parent company only. The combined loss and expense ratio was 102.80%, compared with 105.55%. There was only a minor change in investment income, about \$76,000; but the gain in the value of assets was \$17,226,000, against a debit of \$2,933,000 in 1957.

Written premiums of **Continental Insurance** were up moderately from \$72,429,00 to \$73,172,000. Earned premiums were about \$2,500,000 higher than in 1957. Underwriting loss of \$3,140,000 was down from \$7,206,000. Investment income reflected the improvement in dividend income due to the better stock market in the 1958 second half for it was up from \$12,468,000 to \$15,517,000, a gain of some 24%. Insurance companies, as a general rule do not do much trading of their portfolio holdings; but in 1958 Continental registered a realized gain of \$10,202,000, nearly 2½ times the 1957 figure for this item. The increase in portfolio valuation was \$85,424,000, where as in 1957 there had been a shrinkage of \$40,479,000. This big change was also due to stock market trends, primarily.

There was a decided improvement in the loss and expense ratio —101.16% versus 105.62%. Per share earnings were given at \$2.24 after taxes, against \$1.41. While the industry had much to contend with in the way of adverse conditions in 1958 a report such as Continental's (as well as others) assures us that the companies are on their way out of the slough.

Fidelity Phenix, Continental Insurance's running mate showed much the same proportionate results.

United States Fidelity & Guaranty had a decided improvement from 1957. Volume of writings in the two years was almost the same, but earned premiums were up from \$231,313,000 to \$244,854,000. Statutory underwriting loss was much lower, \$1,139,000, compared with \$20,201,000 in 1957. Investment income was moderately higher, \$11,087,000 compared with \$10,400,000 in 1957. The loss and expense ratio was markedly better, down from 105.7% in 1957 to 99.6%. This comes under the heading of decided improvement.

Springfield Fire & Marine got its underwriting loss down from somewhat over \$5,300,000 in 1957 to a little over \$1,000,000 in 1958. More complete data will come later.

Maryland Casualty registered premiums written of about 5.2% above the year earlier; earned premiums about 4% higher. The statutory underwriting loss, while still high, was well below that of 1957: respective totals \$3,116,000 and \$8,545,000. The 1958 combined loss and expense ratio was down to \$100.87%, while 1957's was 106.04%. Investment income was about \$300,000 higher. As with so many cases, particularly among the casualtys, Maryland reported a sizable tax refund brought about by the several preceding bad underwriting years—\$2,702,000.

Home Insurance showed an underwriting loss of \$4,750,000, while that of 1957 was about 3¼ times that sum. There was a very big shift in the underwriting loss, for in the 1958 first half this figure was \$8,700,000, whereas the second half of the year turned in an underwriting profit of over \$9,100,000, for a net gain in the year of \$430,000. The loss in 1957 was about \$8,800,000.

St. Paul Fire & Marine was one of the shining lights of the industry. Its premium volume was about 7% greater than in 1957. The 1958 statutory gain of \$1,635,000 compared with the 1957 loss of \$5,665,000. The underwriting profit margin was 2.8%. Value of assets increased around \$45,000,000.

Great American succeeded in reducing its underwriting loss for 1958 to \$8,220,000 from \$13,000,000. There was a betterment of about 6% in investment income in the year.

Insurance Company of North America's loss and expense ratio left them with an underwriting profit margin of 2.2%, a commendable showing in a year of which it can be said that only 1957 was worse, for many, many years.

Continental Casualty turned in a good report. The increase in writings was modest, but the underwriting gain of \$6,663,000 compared with a deficit of \$2,549,000 in 1957. The loss and expense ratio was 97.2%, compared with 100.0%. Investment income increased by about \$1,375,000.

This department rates these results as showing a favorable trend. To make some of the reversals in underwriting that were made bodes well for the future, for the insurance companies surely had serious problems to solve in the past several years. And they still have them. Note the January figure on fire losses, \$112,983,000, about 13.1% above 1957's January.

Joins Keller & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Daniel C. Ring has become associated with Keller & Co., 31 State Street. He was formerly with Schirmer, Atherton & Co.

Continued from first page

Recovery Rate Slow-Down Should Not Create Pessimism

that business will continue to recover at the rate that prevailed in the seven months that followed the low point of the recession that terminated last April, then you may well be disappointed and perhaps your confidence will be so shaken as to cause you to make some poor decisions about the future.

First, let me give you the business picture as we see it for this year, and then move on to the longer term. On the whole it will be a good year. In terms of physical production we will recover the ground lost during the later months of 1957 and the opening months of 1958. The economic indicators will reach new high levels.

To be more specific, we believe that the Federal Reserve Index of Industrial Production will average about 144 (1947-1949=100) for the year as a whole. This will be 10 points or 7% above 1958. The Gross National Product, which is the dollar value of all goods and services produced, will average about $465 billion for the year, an increase of 6%.

The high point in physical production will probably exceed the high point of 1957 and the value of the Gross National Product at its peak annual rate will be some 30 odd billion dollars higher than the peak rate in 1957. Consumer expenditures will be up 5%. The big gain will be in the purchase of durable goods where an expansion of about 11% is anticipated.

Bases For Recovery

Now why do we believe the recovery will continue? The basis for our calculations rests on the following estimates. Government spending, local, state and national will be up about $5 billion over 1958. Furthermore, whereas in 1958 about $6 billion of inventories were liquidated the indications are that they will be accumulated to the extent of about $3 billion this year. In visualizing the effect of this change upon the economy we should consider the swing from minus to plus, or in other words, $9 billion. From the extremes the effect is from minus a $10 billion rate in the second quarter of 1958 to plus about a $4 or $5 billion rate by the end of this year. A swing of $14 or $15 billion in inventories within a period of 12 to 18 months is definitely stimulating to the economy.

Since the first quarter of 1958 personal income has been rising quarter by quarter. Increased employment, moderately higher wages and larger dividend payments resulting from better corporate earnings assures the continuation of this trend this year. We estimate that personal income in 1959 will be $14 or $15 billion greater than in 1958. Restoration of public confidence will cause these funds to flow into the spending stream. Basically, therefore, our reason for optimism about business in 1959 rests on the stimulating influence of these three forces: rising government expenditures, rising consumer expenditures, and the swing in the inventory cycle. Although it is not a positive force, capital expenditures will stop declining in 1959 and this permits the positive forces to exert their influence.

However, an overall comparison with a year ago can be misleading insofar as sentiment is concerned. The shape of the recovery during the coming months may prove disturbing to our blown-up confidence. A year ago we warned against giving way to the deepening pessimism of the time. Today we warn against being carried away by the current atmosphere of unrestrained optimism. The danger then was to under-rate the fundamental soundness and recuperative powers of our economy and many unfortunate business and investment decisions were made at that time. The risk today is that those who believe that our economy has entered a new dynamic upsurge closely paralleling and perhaps exceeding in rate the 10-year growth period that ended in 1957 may become alarmed should coming events not fully support this conviction.

Whereas I have indicated we think 1959 will be a good business year, the recent rate of recovery is expected to slowdown; in fact it has slowed down and may tend to level off after a few months. The increase in the F.R.B. Index between April and November of last year was 15 points or 12%. The gain in December was one point. The average for the fourth quarter of 1958 was 140. We estimate an average for the current quarter of 142-143 which is little changed from the December rate of 142. The second and third quarters should average a couple of points higher than the first quarter with little difference between the level of activity in these quarters. The rate of recovery between the second quarter and the third quarter of 1958 was 5½%, between the third and fourth quarters, less than 3%, and between the fourth quarter of 1958 and our estimate for the third quarter of 1959 a little over 2%.

We have several reasons for anticipating this slow-down in the rate of recovery. They are as follows. Purchases of goods and services by local, state and Federal governments rose from an annual rate of $88 billion in the fourth quarter of 1957 to $95 billion in the fourth quarter of 1958, which was a gain of $7 billion or about 8%. Indicated spending intentions now suggest an increase of only $2 billion or 2% in the annual rate between the fourth quarter of 1958 and the third quarter of 1959. The radical change in the inventory situation from decumulation at an annual rate of $10 billion in the second quarter of 1958 to accumulation at the rate of $1 billion per annum in the fourth quarter of 1958 was largely responsible for the rapidity of the general recovery. During the next few months the rise in the inventory cycle will be more subdued and little more than a neutral force in the economy.

Our survey of private capital expenditures indicates little change in the overall figure as between 1958 and 1959 but the trend in the early period of this year will continue downward and then level off in the second quarter. Finally, the effect of the wage negotiations in the steel industry must be recognized. No one knows for certain whether or not there will be a strike in the steel industry. However, the prudent consumer of steel will strive to protect himself against either shortages or price increases by building his inventories in the first half of the year. This means a slow-down in the third quarter, either because of a strike or the normal working down of the temporarily excessive inventories.

The big question therefore is: Will this slow-down in the rate of recovery create misgivings in the minds of those who currently are so extremely optimistic?

There are certain negative factors to think about in the months ahead insofar as sentiment is concerned. The possibility of labor troubles culminating in a steel strike, a decline in farm income, increased competition in world markets, a high level of unemployment, side effects of the Administration's and the Federal Reserve Board's fight against inflation, the possibility of an international crisis surrounding the future of Berlin, East Germany or the Middle East, worries about Russia's rate of scientific and economic growth, etc. Any or all of these questions coinciding with a slowing down in our economic recovery and occurring against a background of exuberant speculative phychology could result in a sobering change in sentiment. It is to warn against the reaction of such a shift in sentiment upon your investment and business planning that I stress this point. Should it develop, and I think there is a reasonably good chance that it will, don't be drawn off base—hold to your confidence that the business trend will continue upward.

By the fourth quarter the correction in steel inventories will have been completed and when it has been the snapback will be strong. Private capital expenditure will again be on the up grade and the rate of inventory accumulation will pick up with the new automobile year, etc. These then are the principal reasons why we believe that the upward trend of the recovery in business will be more leisurely during the early part of this year than it was in much of the past year, and than it will be in the later part of this year.

However, keep your optimism under restraint for in our opinion business is not going to repeat either in detail, rate or shape, the pattern of the 10 years 1947-1957. We will enjoy another dynamic growth period but before then we will live through the "interim years" which will form a bridge over which we will cross from the "Dynamic Fifties" into the "Scientific Sixties."

1957-1962: Restrained "Interim Years"

Let me now discuss our theory of the "interim years" that will precede our next era of dynamic growth. Over a long period of time the American economy has increased its physical volume of production at a compound rate of about 3% a year. A rising population and opportunities for business investment are the prime conditions for economic growth. A rising population by increasing the demand for goods and services puts pressure on the resources of the economy. In a capitalistic country this induces capital investment in order to raise the output of goods and services. It is not population alone that is dynamic. It is the surges in population growth which create imbalances between the working age group of the population and the consuming but not producing age group. This creates periods of labor shortages which business strives to offset by capital investment. Capital investment is a major motor in economic growth so that in a period where a high level of capital investment exists a high level of economic growth results.

The 10-year period that culminated in 1957 was a period of material economic growth during which our growth in terms of physical output of goods and services increased at an average rate of about 4% a year, or approximately one-third more than the historical long-term rate. This period was characterized by several key economic facts: (1) a relative shortage of labor because the birth rate declined from the mid-1920's to the late 1930's; (2) a pent-up demand for all forms of goods and services resulting from the depression of the 1930's and World War II; (3) capital expenditures for production and distribution of new products and processes generated by research carried out during the war; (4) the realization of the true intent of the Soviet which necessitated large-scale annual military spending; and (5) rapidly rising wages stemming from increased strength in union bargaining power growing out of a shortage of labor at a time of very high levels of demand which made it less profitable for business to hold the line and endure strikes than to grant wage increases. The momentum of growth brought an accelerated increase in business investment until in 1957 the physical productive capacity of the economy finally exceeded its consumption ability. Capital expenditures, which reached a level of over $38 billion in 1957, have been in a declining trend since.

It is our opinion that the beginning of the next dynamic upsurge in the rate of economic growth will await an environment where demand has caught up with capacity and a new pressure has been created for large capital investment. This situation we do not expect to materialize before the early 1960's. The period from 1957 to 1962 is expected to be a period of moderate growth in contrast with the strong economic growth since 1947. These will be the "interim years." A basic reason for this assertion is the substantial change in the population mix by age groups.

Stresses Population's Age Composition

The change in the number of 18 to 24 year-olds in the population is vital to the outlook for the economy because this is the age group that makes up the bulk of the newly-married and the newly-married are responsible for the major part of the demand for housing and durable goods. With new family formations come children and a new phase in the birth curve that sets off the multitude of economic consequences with which you are already familiar.

From 1947 to 1957 the number of people entering the 18 to 24 year-old age brackett declined. Between 1957 and 1962 the increase in this age group will be moderate. After 1962 the increase becomes more substantial and beyond 1965 the increase for some years is very substantial. The full economic impact of this material change in the age mix of our population will not be felt until the early 1960's, by which time demand will have caught up with capacity.

Therefore, it is our conclusion that the period 1957 to 1962 will be a period of more moderate growth than the 10-year period which preceded it and the period that will follow after it.

So we have a picture of economic growth which reveals a 10-year period, 1947 to 1957, when in physical terms we grew at a rate of 4% in comparison with a long-term rate of 3%. We are now in a roughly five-year interim period when the rate of growth will be more moderate, say at an average rate of little less than 3%, with the prospect of a more dynamic rate of growth beyond.

It took many businessmen and investors in the late 1940's a long time to recognize the powerful and far-reaching economic implications of the changes taking place in the relationship of the age groups in the population. The coming change is just as dramatic as the changes that took place in the postwar decade. For example, the strain put upon family resources to give higher education to the rapidly increasing teen-age population will divert money customarily spent on durable goods and luxuries. The caloric requirements of a teen-ager are materially greater than those of an infant or young child, as are also the expenditures for clothing, entertainment, etc. Time prevents going into an extensive discussion, but I think the foregoing is sufficient to stimulate your imagination.

Those who are sitting back today complacently expecting history to repeat the experience of the last 10 years will probably come to several years from now to find that they have missed the boat just as many did a decade ago.

Whether you are a businessman or an investor study your population figures, not only in the aggregate but age groups. Let your imagination play upon their application to your particular business or investment portfolio. You will find the results worthwhile. You will find that the industries that grew the fastest in the last 10 years will not necessarily be the ones that will grow the fastest in the next 10 years, and that some industries that did very little in the last 10 years will do materially better in the next 10 years.

Outlines Growth Prospects

We have made a systematic study of the relative growth prospects of 60 industries. The top 10 are as follows:

(1) Products related to outer space, guided missiles, etc.
(2) Office equipment.
(3) Electric energy sales.
(4) Air transportation.
(5) Electronics.
(6) Aluminum.
(7) Drugs.
(8) Plastics.
(9) Residential building expenditures.
(10) Recreation including foreign and domestic travel and boats for pleasure.

In your forward planning also anticipate greater and more frequent cyclical swings in the economy than since World War II. The "rolling readjustment" of the last 10 years are a characteristic of an economy which is moving to catch up with unsatisfied demand and operating at close to capacity. Such a situation is in the past. In an economy where there is unused capacity and materials in supply, changes in inventory policy occur more frequently and have a quicker and more direct effect. The monetary policies of the Federal Reserve Board must be more far reaching. In order to stimulate or restrain certain sectors of the economy requires action which affects the whole economy. In an environment of plenty consumers' preferences exert a strong pressure; as an example witness the decline in automobile demand and the increase in pleasure boats.

The coming decade will be marked by change, change in the cyclical pattern, in the pace of growth, change in the age groups in the population and change in the "product mix" of industry. I cannot emphasize too strongly this character of change.

Space does not permit my discussing such important questions as inflation, the European common market, the freeing of international currencies, and foreign competition, but these too are part of the changing pattern of the times.

To sum up and bring this paper to its conclusion: Nineteen fifty-nine will be a good business year but not a super year. The recovery will gain momentum as the year progresses. Growth in the next few years will be at a more moderate rate than in the period 1947 to 1957 but as we move through the 1960's this growth will accelerate into another dynamic period, an era of scientific break-throughs on many fronts. Don't be deceived by a slowing down in the rate of recovery during the nearer term. Keep your sight on the longer term. Ours is still a growing economy but a changing one. Opportunities for profitable employment of our talents and capital exist for those who have the imagination to recognize these changes. American business has always met this challenge. Let us face the future with vision and confidence.

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Free Society's Education In an Age of Change

sources. It requires much more. It calls for a dedication to victory as vast and inflexible as the enemy's, and a facing up to the sacrifices and the risks involved.

Facing Up to the Challenge —On All Fronts

We must face up manfully to the Communist challenge on every front, and this most certainly includes the vital field of education.

Rarely has this nation been as deeply conscious of the problems of education as it is today. I wish we could pretend that this new interest reflects a sudden love of learning. But we know, alas, that it was touched off by fear—the fear inspired by the growing technical competence of Soviet Russia, as dramatized by its Sputniks.

It is both ironical and disturbing that we Americans should have been alerted to the new importance of education by a brutal totalitarian state. We have always equated education with freedom, specifically freedom of the mind. Could we be outstripped in the classroom by a society which outlaws the free intellect and creative audacity, by a society rooted in irrational dogma and buttressed by censorships, thought controls and murderous terror?

We have rested our educational faith on the Biblical injunction: "Ye shall know the truth and the truth shall make you free." But in Soviet Russia only a carefully restricted segment of the truth is being explored and exploited—and not to make men free but the more to enslave them. Has our faith then been misplaced? Shall we allow ourselves to be intimidated into accepting the enemy's limitations on truth?

Of course the answer is No. On sober consideration our traditional equation of education and truth appears to be not only valid but more significant today than ever in the past.

We should try to understand the nature of education in a totalitarian state, in order that we may not rush blindly into aping it. And even a cursory examination of Soviet educational policy and purposes gives us the right to doubt whether what passes for education in Soviet Russia—and now in Red China as well—is worthy of that proud name.

The unlimited dedication to science and technology repeatedly advertised by Premier Khrushchev and his confreres is just one more aspect of their fanatic commitment to purely material and power goals. It has precious little to do with what mankind for millenia has regarded as education. The Soviet hierarchs hardly bother to conceal their contempt for all the ethical and esthetic, liberal and spiritual values woven into our educational philosophy.

Soviet schooling is not concerned with the happiness and preferences and creative drives of the individual man or woman, but solely with fortifying the might of a faceless state. "Its aim," it has been well said, "is not to produce whole men, balanced personalities for life in a normal society, but half-men with bulging scientific muscles for life in its own abnormal environment."

Science and technology, if cut loose from moral standards and humane restraints, can become monstrosities. We have seen the hideous, dehumanized acts of those Nazi medical research laboratories, attached to extermination camps, where in the name of science human beings were used as guinea pigs; and the ruthless Communist "liquidation" of entire classes of the population in the name of "scientific" Marxism. Such grim exhibits of the new barbarism armed with technology must stand as eternal warnings in a time when more and more material power is being gathered into mortal hands.

Burgeoning Normal Demands

Certainly we must provide ever larger, more competent contingents of specialists for the tasks of this technological age. I have myself offered proposals, at various times, for stimulating science studies and expanding the pools of trained technical personnel so vitally needed to meet the requirements of our National Defense. Even if the Soviets did not exist, we would still have to meet the burgeoning manpower demands of industry, research, communications, weapons. The Soviet accomplishments along these lines have simply dramatized this need and made it more imperative.

But we would be killing the goose that laid the golden eggs of our civilization if, in the preoccupation with material progress and power, our institutions of learning retreated from humanism and all it connotes. The problem, I sometimes suspect, is at least in part semantic. One wishes, that is to say, that there were another word to distinguish education in the older and deeper sense from education that is essentially vocational and utilitarian.

We can admit the compelling need for more and better plumbers—the plumbers of electronics, nuclear power, space exploration and the rest—without reducing all human existence to plumbing.

The greatest truths, those of prophecy and poetry, cannot be "proved" in laboratories. They cannot be analyzed or appraised by electronic computers. Yet those are, in the last analysis, the truths we live by. While maintaining leadership in science and technology, therefore, we should not yield an inch in our respect for the free society we mean to defend, and the many-sided humanistic education that has always been and remains its hallmark.

This view was once expressed, with his usual felicity, by Sir Winston Churchill. He said: "Our inheritance of well-founded, slowly conceived codes of honor, morals and manners, the passionate convictions which so many millions share together of the principles of freedom and justice, are far more precious to us than anything which scientific discoveries could bestow."

Nothing that has happened since he spoke, not even the Sputniks, I am confident, has shaken his faith in that concept. And it is significant that Sir Winston was speaking under the auspices of the Massachusetts Institute of Technology. That setting, and the presence of eminent scientists did not deter him from putting what he considered first things first.

It is true that our schools must place more emphasis on mathematics, chemistry, physics and other such disciplines, but it is no less true that our technical and engineering schools must allot more space in their curricula to the humanities. Most of them, in fact, have begun to do so in recent years.

Cannot Mass Produce Education

Our education cannot, except to the peril of all that we most cherish, be diverted exclusively to the mass production of engineers and technicians. It must remain loyal to ideas and ideals which are transcendent and universal; which have served the human race through the centuries and millenia despite constant material and social change.

But not until our own time, I think, has the validity of those ideas and ideals been subjected to tests of change as profound, as swift, as fundamental as those now being made.

Our generation has been chosen by destiny for great decisions. More than ever before, therefore, we require robust intellectual and spiritual leadership. To ignore the pressing changes would be to accept disaster by default. A keen and continuing awareness of their reality seems to me essential.

In discussing education a few years ago, Dr. Arthur H. Compton said: "Science is forcing man to make decisions that will either ruin him or educate him to greatness." But science itself is no help in reaching those decisions. They must be drawn from the ethical and esthetic wisdom of the race of men: the wisdom enshrined in religion and art and instiutions of justice.

Our fate will not be decided by material prowess alone—important as that is for our mere physical survival. Ideas and ideals, the hunger for human dignity and self-expression, will weigh heavily in the scales. If our supremacy in technology has been opened to doubt, our supremacy in these elements of the human spirit is still beyond question. Let us not relinquish that advantage.

Science provides tools and opportunities, but it has no built-in vetoes on the purposes for which they will be used. Thus its every achievement is also a test of the permanent values emphasized by Dr. Sachar. Our rapid conquest of outer space will be an empty victory if it leads to neglect of inner space—of man himself, his gifts of contemplation, his passion for freedom and justice, and his hunger for salvation.

Refers to Pasternak

In recent months the name of Boris Pasternak, a Russian-Jewish poet, has been very much in the news. He seems to have given the Kremlin leaders a case of jitters because he wrote a novel—which they, of course, suppressed—placing man above the state, love above class struggle, virtue above political dogma.

In an interview with a Swedish professor shortly before he was awarded, and then forced to reject, the Nobel Prize for literature, Pasternak had this to say, among other things:

"In this era of world wars, in this atomic age, the values have changed. We have learned that we are the guests of existence, travelers between two stations. We must discover security within ourselves. During our short span of life we must find our own insights into our relationship with the existence in which we participate so briefly. Otherwise, we cannot live!

"This means," he said, "a departure from the materialistic view of the 19th Century. It means reawakening of the spiritual world, of our manner of life, of religion. I don't mean religion as a dogma or as a church, but as a vital feeling." These are the ideas for which Pasternak was degraded in his homeland and became famous abroad.

His eloquent words have a special dimension of power precisely because they derive from the poet's experience in a time and a country fanatically committed to materialism. They prove, we must hope, that the love of righteousness is not dead, even in the hearts of the Kremlin's long-suffering subjects.

Brandeis University is, in the final analysis, engaged in nurturing that kind of love. It is, therefore, doing a work crucial and central to the solution of the dilemma posed by this Age of Change. It merits the support of all those who recognize the urgency of the challenge.

Securities Salesman's Corner

By JOHN DUTTON

Two Authorities Tell You How to Sell More Effectively

On several occasions during the past few years we have commented on certain ideas that have been taken from Modern Security Services" which is published by Kalb, Voorhis and Company, members of the New York Stock Exchange, who have their editorial offices in the Woodward Building, Washington, D. C. This helpful and practical service is primarily devoted to assisting salesmen in meeting the problems involved in merchandising and selling mutual funds.

Ferd Nauheim, the editor, whom we have known for many years, is one of the most capable creators of direct mail advertising in the investment business. Another member of this talented team is Baron G. Helbig, also an experienced expert in his field of assisting investors to achieve tax-savings through the intelligent use of trusts, gifts, and indirectly helping salesmen to increase their business and mutual fund sales. Following are two examples of the type of suggestions which appear in this service. Many of the helpful ideas presented can also be applied to the sale of general market securities.

Say, "THANKS" . . . You'll Be Thankful That You Did.

Here's the way this top-flight letter writer suggests that you might write to a customer who gave you the order:

"Dear Mr.________________

"Even though I expressed my appreciation yesterday I had to obey the impulse to tell you again that your decision to accept my investment suggestions means a great deal to me.

"My earnest hope is that you'll always feel well rewarded for the step you've taken — that you'll always call on me whenever you want any information or assistance.

"Cordially,

________________"

The foregoing letter is sincere without being too friendly; it is concise and it should help any salesman to cement a relationship and lead to more business and radiation.

Another novel approach is sending a letter after you have been turned down. You have called on a prospect one, two or three times. He was interested, pleasant and cooperative but he did not buy. MSS suggests that in certain cases such a letter as this might be sent to that man who did not buy.

"Dear Mr.________________

"My warmest thanks. Yesterday you gave me one of the most precious things you have . . . some of your time. I deeply appreciate the attention and the courtesy you gave me. I enjoyed our meeting and only regret that I did not bring you something that will benefit you.

"My sincerest good wishes,

"Cordially,

________________"

MSS suggests that it is a startling experience for anyone to get such a letter after saying "No" to a salesman. It probably never happened to him before (this is the first time I ever heard of it). MSS suggests that this man may decide to do as you suggested, possibly at a later date; or if he's with some friends and you have demonstrated your knowledge of the subject and the conversation turns to investing or to mutual funds the chances are he will remember you. At any rate, the more friends you make as you journey through life the better, and it does help to say "thanks."

A Tax Saving Idea

This same issue of MSS carried an article entitled "Double duty." I'll just give you the highlights here — as a sample. The great flexibility that can be achieved by alert tax planning is illustrated in the case of a widow aged 70 and one grown son who was married. The widow's taxable estate, after probate and other costs was $190,000. The Federal Estate Tax estimate was as follows:

First $160,000 — tax $20,700 — 13%

Excess $30,000 — tax $9,000— 30%

All her property after taxes was to go to her son. She wished to save the $9,000 on the top $30,000 of her taxable estate. This was no problem as she had not used her lifetime gift exemption of $30,000. But if she made the gift to her son she would lose the income it was producing for her and she might need it sometime in the future.

If she made a gift of the principal and retained the income the entire principal would be taxable in her estate. An outright gift was the only way her estate could avoid paying the $9,000 in estate taxes. A gift was made to her son of $30,000 in mutual fund shares.

A year passed and she found that lack of income from the $30,000 somewhat handicapped her style of living. The son and the wife agreed to pay the income they received to the mother but if they gave it to her after it was paid to them it would be subject to income tax to them. This was avoided by creating a Reversionary Trust for her benefit. Under the terms of this Trust the mother received all the income and capital gain distributions from the mutual fund. At the time the Trust was created the mother was 71 years old, therefore the value of the gift of income for life (under the terms of the Reversionary Trust) was 26.2% of the $30,000 value, or $7,960. (The Treasury Department has set up tables at which these valuations can be determined).

This gift was "tax free" to the son and his wife under their annual exclusions and lifetime exemptions. The son was named Trustee of this Trust and his wife successor Trustee. The principal would never be involved in the mother's estate as she never had title to it, only the income rights. Mother is still living in her accustomed style, she has saved the $9,000 in estate taxes, and the son and his wife are also happy about the whole thing.

There was **no** agreement prior to the mother's gift to the son that the reversionary trust was to be established. (This is **important.**) The mutual fund shares had been registered in the son's name for a year and they were transferred to the Trust when that was decided upon.

Can you see the possibilities for any security salesman, or mutual fund salesman, if he is informed and educated REGARDING SUCH TAX SAVINGS AS THIS?

Now With Proctor, Cook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James G. Birmingham has become connected with Proctor, Cook & Co., 10 Post Office Square, members of the New York and Boston Stock Exchanges.

Railroad Securities

Norfolk & Western and Virginian Merger Proposal

Again demonstrating their usual efficiency, Norfolk & Western Railway and Virginian Railway have come forward with preliminary plans for a consolidation. These two roads announced their intention of such a move only last November. A number of other carriers have been talking about making studies of possible mergers or even coordination of facilities but little so far has been accomplished. Rail observers are of the opinion that this accelerated action reflects in many ways upon the operating efficiency of the two roads.

Both of these bituminous carrying railroads have approved a plan of merger which would call for a tax-free exchange of stock on the basis of 0.55 share of Norfolk & Western common for each common share of Virginian. In addition, th N. & W. would issue 6%, $10 par value, cumulative non-callable preferred stock with voting rights which would be exchanged for the outstanding Virginian 6%, $10 par value, cumulative non-callable preferred with voting rights on a share for share basis. One factor which has enabled the two roads to formulate a consolidation plan fairly rapidly is the simplicity of their capitalizations.

Another factor which probably enabled the roads to move fast is the fact that large blocks of stocks are fairly well concentrated. Pennsylvania Railroad at the end of 1957 owned 57.96% of Norfolk & Western's preferred stock and 42.61% of the common stock. Eastern Gas & Fuel Associates owns 97% of Virginian Corp. which in turn owns 1,807,905 shares of Virginian Railway, or 50.42% of Virginian Railway's voting stock.

Officials of Eastern Gas & Fuel have been quoted as stating that the proposed merger in their opinion is in the public interest and will provide substantial benefits to the stockholders of both railroads. It is reported that a detailed plan of merger will be developed as promptly as possible and submitted for approval by the directors and stockholders of the two railroads and also to the Interstate Commerce Commission.

The presidents of the two roads in a joint statement stated that their studies showed that savings of about $1 million a month can be realized through the elimination of duplicating facilities, efficient use of motive power and equipment and economies in transportation and general expenses. They also said that these economies can be expected without eliminating service to any community now being served and would in fact "result in better service."

The new system would have consolidated total assets of some $938 million. In 1958, Norfolk & Western had net income of $43,501,898, equal to $7.57 a common share, on gross revenues of $203,946,296. This compared with net income of $44,535,759 or $7.75 a share in 1957. Last year Virginian showed gross revenues of $49,754,527 and net income of $11,578,204, equal to $3.24 a common share as compared with gross revenues of $64,624,675 and net income of $17,097,290 equivalent to $4.93 a common share in 1957. Consequently, the savings could add considerably to the earnings of the combined companies.

Both of these railroads as large haulers of bituminous coal are highly dependent upon heavy industry and, consequently, traffic was hurt by the general business recession. Carloadings are beginning to pick up currently with a higher rate of steel operations and a pickup in automobile production. However, export shipments of soft coal continue at a low level as compared with 1956 and early 1957. Production abroad has increased and there had been some stockpiling. Also, foreign countries did not wish to lose their dollar balances and this was another factor in keeping down export coal shipments. It is reported, however, that demand for soft coal from abroad is beginning to increase and this should benefit both of these roads substantially in coming months.

It is interesting to note that almost simultaneous with the announcement of the terms of the Norfolk & Western and Virginian merger plan, that the New England railroads have announced the start of the groundwork for possible consolidations or at least the coordination of facilities. The roads in this group include: the New York, New Haven & Hartford; Boston & Maine; Maine Central; Bangor & Aroostook and the Rutland Railway. Lately the New York Central has agreed to permit the controlled Boston & Albany to participate in the discussions. The consolidations of these railroads would provide substantial savings, particularly since they have relatively short lines and many duplicating facilities, especially yards which because of high operating costs add considerably to operating expenses.

Bateman Firm Offers Fort Pierce Port & Terminal Co. Stock

Public offering of 2,138,500 shares of Fort Pierce Port & Terminal Co., common stock at a price of $1.25 per share was made on Feb. 24 by Frank B. Bateman, Ltd., of Palm Beach, Fla. The shares are being offered as a speculation.

The proceeds from the financing will be used by the company to repay short-term loans; to complete the first phase of its port development program on the Fort Pierce, Fla., harborfront. The balance of the proceeds will be added to the company's general funds and could be used for part of the cost of construction of the second phase of its development program.

Fort Pierce & Terminal Co. intends to engage in the development and operation of its harborfront properties in the City of Fort Pierce, Fla., as a deep-water port facility, including stevedoring and ship agencies, and the development and operation or sale of other portions of its property as industrial, commercial or residential areas. Incorporated under the laws of the State of Florida on Oct. 16, 1956, the company commenced business operations Feb. 25, 1957, when it acquired a major portion of its property from the former stockholders. The company owns 3,000 feet of harborfront property in Fort Pierce with an area of about 49 acres, together with 64.4 acres of submerged lands adjacent to the property.

Total authorized capital stock of the company consists of 3,500,000 shares, of which 1,229,500 shares, or slightly more than 35%, were issued for real property conveyed to the company on Feb. 25, 1957 by its then existing stockholders.

Continued from page 18

Energy, Economy and Society in Transition

land is already engaged in a promising export business, bidding on the erection of natural uranium reactors in Italy, Japan, and possibly other countries. The same sort of development is taking place in France which has erected a number of reactors, some of which, too, are on an industrial scale. At the second international conference on peacetime uses of atomic energy in Geneva this year, the French also announced the construction of a plant to separate U235 from U238.

Euratom, which will receive an important quantity of enriched uranium from the United States, is beginning a large program of erection of industrial reactors in the near future, and there is evidence that other western European nations are alert to the potentialities of nuclear energy.

The status of nuclear energy in the United States reflects our comparative wealth rather than thoughtful foresight. The policy of the Atomic Energy Commission until lately can be expressed *grosso modo* as follows: The United States is a very rich country with great resources in fossil fuels and with great hydro-electric potentials still unexploited. There is, therefore, no urgency to begin constructing nuclear power reactors immediately. Any plants we build now will inevitably reflect our lack of engineering know-how. They will be too expensive to compete with fuel or water-produced power. So let us wait. Let us investigate. Let us find out just which type of reactor will be most efficient. Then, when all the preliminary spade work has been done, carefully and methodically, after all the necessary preliminary tests, we shall proceed with a large program of nuclear power production.

There seems to be a change in the trend outlined and we have read a few days ago the proposal of General Electric for immediate construction of a series of reactors throughout the nation.

Lately, in one of his public appearances, the commissioner, Walter H. Libby, mentioned that the Atomic Energy Commission is developing now the construction of a dual reactor, producing power and plutonium, in order to evaluate its usefulness.

It is interesting at this juncture to note that the United States is still the only nation able to produce in quantity the enriched uranium fuel required by advanced types of reactors.

Dr. Walter H. Zinn, in his report to the Joint Congressional Committee on Atomic Energy, made a thorough appraisal of Soviet atomic power developments. He is strongly impressed by the fact that Soviet technical progress is rapid and closely coordinated with the program of building intermediate and large size reactors. As in the U.S.A., the Soviet Union is experimenting with several different types of reactor, but has a definite policy of rapid "scale-up" with reactor types first built as 50,000 kw plants and then followed by large scale power stations with capacities up to 600,000 kw.

During the Second World Conference on peacetime uses of atomic energy, the Soviets showed a film representing such a large plant of 600,000 kw somewhere in Siberia—this plant producing plutonium and power.

The first question which always arises is, are we or the Soviets ahead in the development of reactors? The question may be natural, but the answer is more complex than it seems at first glance.

We are not witnessing horse races where the winner is obviously apparent. In the complicated engineering development, sometimes a new "know-how" may favor a competitor with a great advance.

It is sufficient to state simply that the Russians are in a well advanced stage of development and construction of power plants in comparision with anybody else.

I was present at the Second World Conference in Geneva and I fully agree with Dr. Zinn's opinion.

What Will Be the Effect?

The great upward surge of the world's population which is now going on and which makes the development of nuclear energy an immediate and urgent necessity, will be sustained by it. With this foreseeable increase in the numbers of men, will come perhaps less predictable but no less certain changes in economics, affecting both capital and labor, requiring changes in education and in social and cultural activities.

Increased population will make it necessary for large populations to live in regions now but sparsely populated. Cheap nuclear power will make this population shift possible.

The exigencies of manufacturing or communication by sea and rail which, throughout history, have determined concentrations of population—as in the Ruhr, London, New York and nearby seaboard cities—will no longer have a decisive effect. New communities in the future will tend to be relatively small and uniform in size.

And this is one of the best prognostics for the future.

There is no doubt that, if the big cities of today were to continue to expand and the new industrial revolution were to keep its present pace, we could expect social disorder and, inevitably, a government of dictatorial type.

The only way out of it is the gradual dissolution of these centers and the establishment of homogeneous, smaller communities, built around nuclear reactors. These communities will have to consist of technically educated or re-educated citizens capable of useful work.

A satisfied, well paid and homogeneous community is less susceptible to extremist influences and offers the best assurance of perpetuating democracy. These communities may well be self-sufficient or one-product, one activity grouping as a part of a general plan.

Government capital, in the form of the energy source, is inevitable. This has been presaged by government ownership of hydro-electric plants, a phenomenon which has grown along with such plants since 1910 when they first became an important factor in the generation of electric power. By contrast, conventional fuel-using plants are comparatively inexpensive to construct and, in this country, have commonly been built with private funds. Nuclear power plants will be expensive because their fuel constitutes a large part of the initial investment. Only small additional quantities of fuel will be needed from time to time to replace the used part of the initial load. This nuclear fuel is, and will remain, a government monopoly. However, this is only one reason government will provide capital for nuclear plants. Other reasons are that there is not enough private capital available to finance such plants and, by contrast, there is too much risk. The earning capacity of early plants in the United States will be uncertain. The final and definitive reason government must finance nuclear installations is that their development is of paramount importance to the national economy and defense. There is, consequently, every reason to assimilate such government investments into future military appropriations. By all means, they should not be regarded as income-producing investments.

For the long term, exactly the opposite situation may be considered as a possible development, and reactors could quite properly support the government. It is interesting to speculate about this. Suppose, for instance, that taxation as we now know it, in all its incredible complexity should be eliminated and nuclear-fuel rent be substituted. If rents paid for nuclear fuel were to become the sole source of government income, tax bookkeeping and related problems of both government and industry would be vastly simplified—and the individual taxpayer's lot made much more pleasant.

Technological unemployment will wipe out entire strata of labor. The ones to suffer most will be the so-called specialized workers, many of whom will disappear to join the masses of unskilled or to be re-educated for technical employment. This trend is natural and irreversible. Already we see the process at work as automation advances, with machines taking over the work of men's hands and minds as it originally took over the handling of dangerously radioactive materials in our first nuclear reactors. More and more we see fewer and fewer workers on the production lines. Authorities predict that our industrial installations soon will resemble electric power plants, great halls with automatic machines aligned in functional patterns with only a few supervisors checking dials and lights. Electronic brains are replacing men in banks and insurance firms and in other commercial establishments calling for extensive calculations. The same displacement is going on in research and development, in road building and other construction.

This aspect of the new industrial revolution is only in its infancy. Even so, already we are witnessing the impact of obsolete science on automation machinery as massive machines employing vacuum tubes are replaced by smaller devices using transistors instead. Now before electronic devices have assumed control of production, we are developing more competent machines which will take over the human function of supervision, of catching and correcting mistakes. It is altogether possible that, in the future, we shall be able to construct machines that can think, learn, grow, and make duplicates of themselves with built-in instructions to do the same useful work. The process could continue indefinitely.

In a man of the nineteenth century, this concept would inspire unreasoning terror. In a man of the mid-twentieth century, it should inspire informed concern.

I wish to address myself hereafter to the possibilities of a future of abundant energy, of which automation is merely the aspect most clearly visible.

I wish to speak not as sociologist, or economist, or educator, or political scientist, but as an engineer. I wish to extrapolate, as accurately as I can from the evidence now available, the major implications of the exploitation of nuclear power.

Implications of Nucleonic Exploitation

Man's whole history, until this moment, has been lived under the shadow of scarcity, of insufficient food, inadequate shelter. This scarcity has been a measure of the availability of energy. Even the present relative abundance in the United States has not meant sufficient food or adequate shelter for those of our people at the bottom of the socio-economic ladder. We still retain in our vocabulary the phrase "poverty-stricken" and all understand its connotations. How many of us have used the phrase "leisure stricken" or given thought to its connotations?

Leisure will soon be one of the major problems with which individuals, families, and governments will be faced. The average industrial work week will probably very soon be no more than twenty hours. In the not-distant future, it may very well be less. What kind of problems will it create?

We can see at once that the problems of leisure will be different for different types of persons in different environments.

In the cities, which are already becoming atavistic anachronisms, our chief concern, perhaps, should be with those classes of workers who are to be displaced by automation—the production workers with specialized skills and the clerical workers whose jobs will be taken over by machines. In New York City alone, there are several hundred thousand such potential "displaced persons." With their jobs gone, deprived of status, their earning power depreciated or lost entirely, this group will be downgraded to the status of unskilled labor, the most dangerous and explosive segment of society. They will become susceptible to the incitement of irresponsible agitators, or their own baser impulses. Unless we wish to see violence, crime and vice increase, we must find ways to forestall these undesirable results of the transition to a nuclear-powered industry. Retraining of these displaced specialists will be imperative.

A part of the solution which I, as an engineer, can see is the development of relatively small communities centered around a nuclear power plant. The inhabitants of these communities will be mainly specialists and members of their families. In the beginning, of course, many of the industrial workers will be retrained specialists from former semiautomatic manufacturing plants. These two factors—small numbers and useful, adequately paid employment—will assure social stability in the reactor-centered communities of the future.

However, the acquisition of new skills, new jobs, and new homes will not solve all the problems of the "leisure stricken." They will still be faced with the threat of boredom. Our people, particularly the present generation, has not been prepared, through education or acculturation, to spend the leisure time that will soon accrue to it in a socially desirable or dignified manner.

We can predict with relative accuracy what use will be made of the goods an economy of abundance will provide for us. We cannot so readily predict the uses to which will be put the new leisure that will be a by-product of abundance. This will be a problem for all segments of society, individuals, families, and governments. Acculturation cannot bear the initial burden of preparing us for leisure. Our culture has valued money more than music, industry more than art, food above fun, labor above leisure. This, incidentally, is a good example of the way in which technical developments outrun social progress. Because our resources of entertainment are so grievously insufficient to accommodate the needs of a growing number of "leisure stricken," it will certainly become a responsibility of government to educate our people to use their free time constructively. The choice is clear, but we must act immediately. It will not be easy to educate large masses of people in one lifetime, or one generation, and, I fear, this is all the time we have. It is a problem which should be faced immediately, with courage and initiative, lest the tremendous new energies we are about to unleash be turned ignorantly against us.

Non-Industry Impact

So far we have considered only the impact of nuclear energy on industry. It must be noted that agriculture will also be affected. In the last century, in the United States, first automatic machinery, as in the reaper and thresher, made it possible to substitute the energy of draft animals for human effort; then steam power supplanted horses, especially in threshing in the great grain lands of the west; in the last generation or two, internal combustion engines have all but completely replaced draft animals in the field and, with electric power in barn and farmstead, have made it possible for a single man to do the work of five or more. A century ago, 85% of our population lived on the land; today fewer than 15% produce all the food required by our people, and constantly pile up surpluses, in the same century, particularly in the latter half of it, new advances in biology have given us more viable, more productive food and fiber plants and meat and dairy animals. The cultivation of algae, still in the laboratory stage, promises virtually unlimited food supplies for the future. At Brookhaven today mutations are being induced in food plants that will further improve our agricultural production. In the future, wide distribution of reactors will expedite the use of nuclear energy in agriculture. Indeed, the prospects for the production of food in the future are so excellent that, when they are clearly seen, they will put a stop to specious philosophising about the necessity to limit and regulate the reproductivity of man.

The unpleasant fact remains, however, that although famine is no threat to the United States, it is a continuing and increasing threat in some of the less fortunate nations. The energy supplies available in the world today are sufficient to provide for every inhabitant of the globe the minimum necessities of food, clothing, and shelter. That poverty and famine any longer exist anywhere is the result of defective and obsolete systems of distribution. The turmoil of the emergent nations and the spiritual distress of the west, the anxiety we exhibit, the gloom we feel, can be attributed, I suggest, to our failure to develop social techniques as advanced as our scientific techniques. Distribution of wealth is essentially a social technique.

Up until the last few years, we lived in a world where the distribution of food, clothing, and shelter was governed by a railroad timetable. Today we live in a world or jet airliners. We are unhappy with our performance because we lack the courage to act as if we live in a jet age. We cling, instead, to the railroad tracks and the slow timetable of the past. We must abandon the past and embrace the future. Technically, we have moved into the twenty-first century; we cannot afford longer to cling to nineteenth-century thinking—that of the era of the railroad. This is, of course, a problem for statesmen, economists, sociologists. As an engineer, I feel impelled, however, to point out that distribution of essentials is a world problem and requires a worldwide solution. Lend lease, Marshall Plan, point four, all the piecemeal plans are mere stopgaps. They cannot solve the whole problem.

Principle of Comparative Advantage

As a matter of fact, and again citing only the apparent need and not attempting to specify the solution, it should be pointed out that worldwide availability of nuclear energy will make necessary not only worldwide distribution but a world plan for production. If some countries, like the United States, can produce and fabricate steel more advantageously than others, why should Japan or China build steel mills? Perhaps India should concentrate on fibers, Canada on cellulose, Argentina on beef, why should England allocate limited acres to raising beeves, or Egypt undertake to produce aluminum? The new world of abundance will be, inescapably, one world.

The scientists who have made this one world possible, who have made it inevitable, have seen this truth. They are men who were mostly educated in schools and universities in which the old concepts of an economy of scarcity and a world divided were accepted as unchanging truths hallowed by ages. The fact that the scientists could change not only their minds but their hearts, leads me to expect, and hope, that similar changes can be brought about in the thinking of statesmen. One of them, Wendell Willkie, had seen the light fourteen years ago. "One world—or none," he said then. The truth of that statement grows more apparent every year.

I must say here that I do not believe that our choice will be "or none." I believe mankind will survive, that there will be no nuclear war. The masses of the world fear nuclear destruction. The beneficial aspects of the new discoveries are less apparent to them, especially because many of the applications of nuclear energy are technically complex, and their implications so revolutionary, that it is difficult for the common man to grasp them. it is, therefore, the duty of the scientific community, the press, and other communications media to bring to the masses a fuller understanding of the good life that lies before us. And this, also, must be done on a global scale.

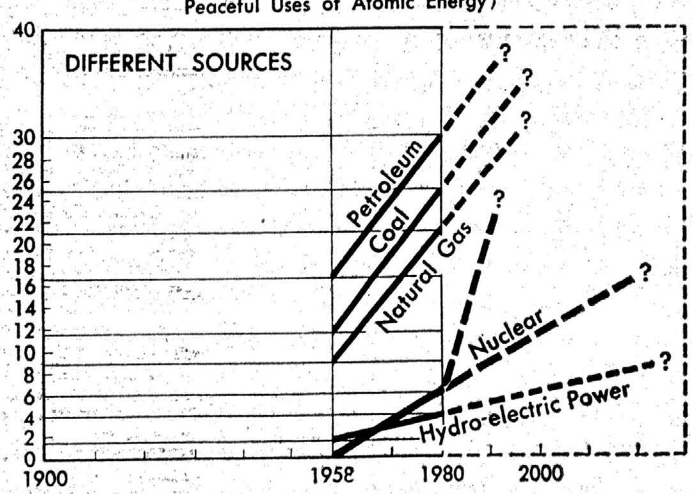
Along with an understanding of the promise the future holds, the world's peoples must be warned of the trials that are certain to accompany our transition from an economy of scarcity to one of abundance. Some of these troubles will seem, at the time, all but unbearable. Men, and governments, will be tempted to resort to violence to hasten the advent of the promised future—or to block the social and economic changes inherent in it. Small wars, insurrections, local turmoil, can delay the time when all will share abundance. The process or transition may be thus made painful and prolonged. To speed it and make it less painful, the scientific community should undertake to assist those to whom are entrusted our state and social institutions to bridge the gap in the easiest and most successful ways, avoiding social unrest and armed conflicts.

I am sure American scientists and their colleagues elsewhere will succeed.

ACTUAL AND FUTURE CONSUMPTION OF ENERGY IN THE U. S. A.

EXPRESSED IN TRILLIONS OF B.T.U.

(Based on McKinney Report on Peaceful Uses of Atomic Energy)



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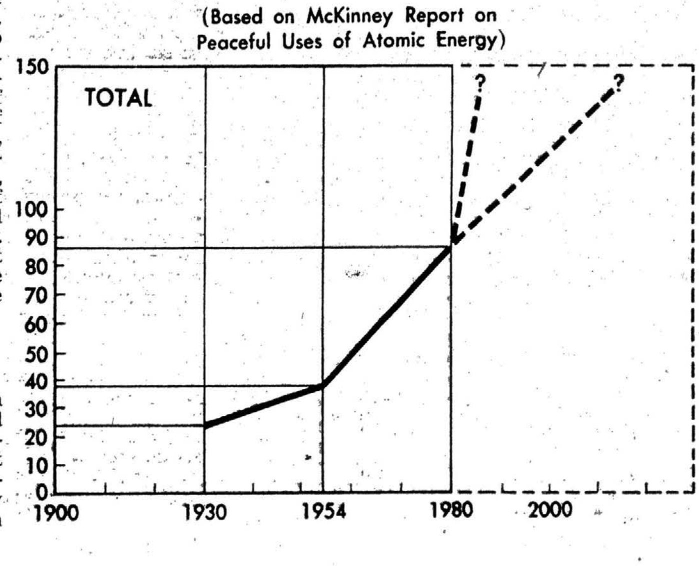

Banks for Co-ops Sells Debentures

The Banks for Cooperatives on Feb. 19 offered a new issue of approximately $78 million of 3.55% 5-month debentures, dated March 2, 1959 and maturing Aug. 3, 1959. The debentures were priced at 100% and were offered through John T. Knox, fiscal agent, and a nationwide selling group of securities dealers.

Proceeds from the financing will be used to refund $72,000,000 of 1.70% debentures maturing March 2, 1959.

Chicago Inv. Women Foreign Trade Panel

CHICAGO, Ill. — On Monday, March 2 following their 6 p.m. dinner at the Chicago Bar Association The Investment Women of Chicago will have a Discussion Meeting on "Foreign Trade."

The Panel will be composed of Colina Clow, secretary to Dr. Melchior Palyi, who will discuss the European Common Market and the Free Trade Zone; Mildred Neel, Stein, Roe and Farnham, will cover the financial aspects of the growth of this market; and Marjorie H. Rosen, Mullaney, Wells & Company, Chairman of the Discussion Group Committee, who will discuss the growth of Latin America as a world market.

Wall Streeters to Aid Red Cross Drive

James C. Kellogg III, a partner of Spear, Leeds & Kellogg; Walter T. O'Hara, a partner of Thomson & McKinnon; James A. O'Neill, vice president of Continental Grain Company; and Edward C. Angelery, of Felder & Co., have accepted appointment as chairmen of the Exchange Divisions of the New York Red Cross Chapter's 1959 Fund Campaign, it has been announced by Eugene S. Hooper, Finance Section chairman.

Mr. Hooper, president of Manufacturers Trust Company, said Mr. Kellogg will serve as chairman of the New York Stock Exchange Division.

Mr. O'Hara will head the American Stock Exchange Division;

Mr. O'Neill will lead the drive in the New York Produce Exchange Division;

Mr. Angelery will be chairman of the New York Commodities Exchange Division.

The appeal for members and funds, which opens March 1, is part of a national drive to obtain gifts totaling $95,000,000 to enable Red Cross to carry on in the coming year. New York City has been asked to raise $6,000,000 to meet Red Cross needs in the city and its share of the national requirements.

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.

With Lamson Bros.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Edith M. Brown has become associated with Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. Miss Brown was formerly with John A. Dawson & Co. and Thomson & McKinnon.

Schwabacher & Co. Opens Los Angeles Branch

LOS ANGELES, Calif.—Schwabacher & Co. has opened a branch office at 523 West Sixth Street under the management of Edward F. Call.

Continued from first page

Fallacy of Investing On an Industry Basis

same time. Management is the most important ingredient in the success or failure of any company, and you can't buy management on an industry-wide basis.

In the last couple of years, for example, the trends of the home television and radio industry were pretty poor, but during this period, Zenith Radio proved to be a stellar holding. Zenith did not go overboard on automation or color television and with a quality line of products maintained adequate profit margins. It proved to have the best distribution in its industry and a company condemned by many investors as a one man operation showed sufficient management know-how to be the leader in an ailing industry. Everyone who decided on the basis of an industry analysis to avoid TV and radio stocks missed Zenith.

The mistake in too closely adhering to industry considerations is sometimes based on long range as well as short term forecasts. It is easy to develop strong feelings on the favorable or unfavorable trend characteristics of certain industries. For example, many of us for years have felt that the tobacco industry represented an unattractive area of investment unless current income return was of prime importance. The economics of the industry seemed to show that despite steadily rising sales, the prospective gain in earnings was negatived by rising costs of raw materials, processing and promotion. Historically tobacco stocks have performed less well than market averages except during periods of economic readjustment. In this frame of mind many of us failed to see the turn around in the fortunes of P. Lorillard and Co. which has resulted in a sharp upturn of earnings over the past two years and an almost comparable rise in the market price of the stock.

Cites Fund He Advises

Numerous other examples could be cited of instances where the fortunes of an individual company have run counter to long or short term industry trends. It is necessary to put industry trends in proper perspective, and I strongly suggest that their consideration should be secondary to the selection of individual companies. Let me give you an example of what I mean. About six years ago we set up a new mutual fund to be invested entirely in growth stocks. The potential of above average capital appreciation was to be the primary objective, with no emphasis on current income. We decided upon a policy of limited diversification so as not to dilute management's judgment in selecting the most desirable holdings. Applying the industry approach, it seemed to us that over the years ahead three strong growth areas stood out above all others: (1) chemicals and drugs; (2) oil and gas; (3) electronics and automation. The decision was to place two-thirds of the total portfolio in these areas which meant approximately 22% in each of the three. The remaining one-third of the Fund was to be invested in individual securities with strong growth trends irrespective of the industry in which they operated.

The portfolio was so invested and at the end of two years a review of its relatively satisfactory but not phenomenal performance disclosed several things. The heavy industry concentrations per se had contributed nothing by way of superior performance. There were laggards and leaders within each group. The results attained had come primarily from the good performance of most of the miscellaneous list of companies selected on an individual basis. So, we abandoned the concept of industry concentration as a determinant of portfolio diversification and for the past four years have concentrated on keeping the Fund invested in about fifty companies with the strongest growth trends we have been able to identify. This has resulted in holdings spread over a wide range of industries, including several not ordinarily thought of as growth industries, such as food, cosmetic and publishing. In the cosmetic and publishing fields, incidentally our play has not been on the products so much as on the trend toward direct-to-home distribution of products.

Changing Merchandising Trends

In this connection it is interesting to note the changing trends of merchandising. Years ago we had general stores and peddlers and we progressed from that to large department stores, apparel and food supermarkets. Now we seem to have gone all the way around the circle and we see a geographical splitting up of the large department store into smaller units. We see the food supermarket taking on nonfood products and becoming an over-sized general store and we see the resurgence of door-to-door selling in various fields. All of these changes create investment opportunities and in some cases negative the continued desirability of previously satisfactory holdings. This is the way to use industry trends as a starting point for finding the individual companies that have the best change of surging ahead of the crowd.

Factors Behind Trends

Now let us try to look behind industry trends at a few basic considerations that may create favorable or unfavorable areas of investment. Specifically let's briefly consider population trends, technological or scientific advances, the expanding demand for natural resources, cyclical industries and the question of foreign competition.

Changes in Population

Growth industries and in the economy as a whole depends upon people. There must be a labor force to produce goods and services and a market for all the goods and services produced. Our present U. S. population of 175 million is currently expanding at a rate of 3 million a year and this rate is forecast to accelerate so that by 1975 population may reach 232 million. (Government estimates for 1975 range from 216 million to 244 million depending upon which fertility assumption is used.) In other words, total population is likely to increase by one-third over the next seventeen years but the number of people in the age group making up the labor force—18 through 64—will increase by only 25%. This estimate is fairly accurate as those entering this age group by 1975 have already been born. Thus, on a relative basis we can anticipate fewer people in 1975 to produce goods and services for the greatly enlarged population. This means a continuation of heavy expenditures for research and development to produce new processes as well as new products. It will require continued heavy capital expenditures on the part of industry and to me it means a continuation of inflationary pressures.

We can also anticipate further geographic shifts in population, continuation of the trend of movement from farms to cities, from cities to suburbs and in general faster growth on the West Coast and parts of the South. There will be changes in social, economic and political institutions and in the way people live. The insatiable demand of the American public for a higher standard of living and more leisure time seems likely to continue.

Looking at the question of population on a worldwide basis, the same basic factors apply. Present world population is about 2.8 billion and is estimated to be increasing at about 44 million to 45 million people a year. Allowing for a large error in these estimates, the magnitude of the figures is nevertheless impressive. The population trends will create favorable backgrounds for numerous industries. Looking ahead, some of the fastest growing areas to be affected will include:

Electric Energy Sales—Still a growth industry for the next decade but containing relatively few growth stocks since these are regulated companies with a restricted rate of return and much of the growth is dissipated by the dilution of equity positions to finance the needed expansion of facilities.

Building and Construction—The benefits should accrue to suppliers of residential materials, to the producers of cement and cement products and the manufacturers of air-conditioning equipment. The desirability of stocks within these product areas varies greatly.

Life Insurance—Investment opportunities here are only slightly dimmed by the prospect of higher taxes, but in numerous companies the strong trends are diluted by the cyclical casualty and fire operations.

Retail Distribution—The trends at the moment favor grocery chains and the companies engaged in direct-to-home selling but other areas may become attractive as new merchandising methods evolve.

Manufacturers of Baby and Breakfast Foods—would seem to have a perfect play on the population trends.

Drug Companies—Another beneficiary of population trends as well as technical advances.

Air Transport—This has been a growth industry for a long time from the standpoint of usage. Up to now the strong growth trend has been dissipated by rising costs of operation, quick obsolescence of equipment and an inability to raise rates because the industry ten years ago had a high return on its limited invested capital. The situation is worth watching at the present time. With the advent of jet planes the obsolescence factor may be temporarily lessened, and with the build-up in capital within the industry, rates of return have been reduced to a point that this regulated industry may be able to attain a better balance between revenues and expenses.

Recreation—Opportunities here are excellent in such areas as boating and photography.

This listing is not intended to be all inclusive, but rather illustrative of areas that should benefit from the population trends.

Technological or Scientific Advances

These have an obvious bearing on the trends of many industries. Things seemed to wax and wane on a cyclical pattern. We have seen the creation of energy change from water to steam, to electricity and we see the emergence of atomic energy which will probably not be an important factor until some time beyond the next decade. The electronics industry is a good example of changing technological trends. For about 40 years the expansion has surrounded the application of the vacuum tube. As these applications seem to be reaching their peak, we now see solid state electronics coming to the fore in a new cycle which will probably dominate the electronic art for the next 40 years. This new pattern of solid state electronics will be tied to ferrites, ceramics, micro miniaturization, transistors and other semiconductor devices. We are on the brink of important developments in the area of chemical conversion and thermo-electric conversion which could push internal combustion engines completely out of the picture both for airplanes and for automobiles.

As we look today at the broad fields of solid state electronics and atomic energy, it is safe to predict that a whole new pattern of industry and civilian industrialization and instrumentation will be created through the refinement and development of these new arts over the years ahead. In most cases it may be too early to identify potential leadership in these areas but we should be alert to find companies which recognize these trends and take steps to aggressively develop them up to the level of acceptance.

Other industries which should continue to benefit from technological advances will include office equipment, instrumentation, and chemicals, particularly plastics. Anything having to do with guided missiles and space projects in the next decade will also have a favorable trend but here it is difficult to isolate individual companies because of the rapid changes in technology, and changing military programs as related to specific projects. Participation in this field via electronic and component manufacturers may be the most realistic at the present time.

Expanding Demand for Natural Resources

Aluminum and other light metals are generally regarded to have favorable demand trends. This demand stems not only from the population increase and the overall growth of the economy, but from the development of new markets where these products are substituted for others. Fiber glass is in the same position. The fortunes of aluminum companies, are tied to both supply and demand, and with excess current capacity it is difficult to visualize earnings rising sufficiently to match the anticipated build-up in usage reflected in the market levels of aluminum stocks. Yet the glamour persists.

The oil industry should continue to fare well though the trends for the next decade may not match the past or the opportunities in some of the other areas that have been enumerated. The worldwide over-supply is a negative, together with the political and tax uncertainties on the international front, and the depletion allowance uncertainty on the domestic front. Demand, however, should continue to expand at a satisfactory rate whitin our own country and at a substantially higher rate in the rest of the Free World. Natural gas may have an even brighter outlook.

Other areas with favorable trends and a natural resources background would include paper and containers.

Cyclical Industries

Many sections of our economy still operate on relatively short cyclical swings through which there is a favorable underlying growth trend in reflection of the overall growth trend of the economy. These industries include such important segments as steel, rubber, automobiles and machinery. They afford many sound investment opportunities and in the past decade have demonstrated an ability to operate relatively successfully through periods of moderate economic readjustment. These adjustments have had a different impact on various companies but by and large they have demonstrated an ability to earn and maintain dividends because of improved finances, improved control of costs and relative stability of price structures. These companies produce products and not commodities and are not subject to the price variables in world markets of such items as copper, lead and zinc. If you believe with me that the economic climate ahead is apt to continue the postwar trend of relatively frequent but short-lived and not too severe business readjustments, then various steel, rubber, automotive and machinery stocks should benefit from increasing investor acceptance.

Foreign Competition

On the negative side of the fence there are some world-wide trends that may affect companies operating in numerous industries. Specifically, I refer to the rise of foreign competition from Japan, Germany and the rest of the Free World and to the potential and very real threat of economic competition from Russia. This country is pricing itself out of many of the world markets as a result of our high and constantly rising labor costs. Companies with plants in England and this country tell me they have a 30% to 40% lower cost on their English operation. The mass market for germanium transistors in the entertainment field (radios, etc.) is currently threatened by Japanese imports of good quality, low priced products. The American cotton manufacturer cannot compete with the Japanese producer who buys his raw material from the United States Government at a 20% discount and pays his labor a fraction of our wage scales. I mentioned the prospective Russian competition. This is perhaps more imminent than many of us believe. I have examined catalogs for all kinds of scientific laboratory equipment, optical goods and machinery — catalogs, incidentally, printed in English—with low price quotations and with specifications that some of my scientific friends tell me equal or exceed our best American products. In looking at companies in many industries this broad question of foreign markets and foreign competition should be considered.

Summary

To summarize, I feel that the study of industry trends and reliance upon industry forecasts to determine the relative weighting of different kinds of companies in a common stock portfolio is often over-emphasized. I believe that a better investment result will be obtained by the selection of a list of individual companies that best fulfill the objectives of the individual account, letting the industry diversification fall where it will. Secondly, I have tried to explore with you some of the factors underlying industry trends in a belief that a realization of these basic considerations will help us all interpret the trends that we see developing in particular areas of our economy and may help us spot the individual stocks that will produce the best investment results in the next decade.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Woodward B. Hicks, Jr. has been added to the staff of Shearson, Hammill & Co., 208 South La Salle Street.

R. J. Laude Now With Goodbody in Boston

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Raymond J. Laude is now with the Boston office of Goodbody & Co., 140 Federal Street. He has been associated with the firm for many years, recently as manager of the Royal Oak, Michigan office.

Continued from page 16

Reader Questions Effectiveness Of Protests to Legislators

plan for drastically reduced state expenditures.

The Governor, of course, is right in insisting that the state must not continue to spend more than it collects in taxes. What the voters are trying to tell him is that they prefer to balance income and outgo by reducing expenses.

Discrepancy at Federal Level

From Washington, newsmen are reporting an even greater discrepancy between financial fact and wish-thinking, if not actual devil-may-care. The President, the Secretary of the Treasury, Mr. Martin of the Federal Reserve, Chambers of Commerce, trade groups, economists, and others are explaining to Congress over and over that Federal deficits lead to monetary inflation, with lower purchasing power of the dollar and erosion of savings. But instead of reducing appropriations, bills are being passed which authorize increased spending and threaten to increase the deficit, rather than balancing the budget.

If one were to ask a newspaper man "Do these legislators want the dollar to go down to 10 cents or less?" he might reply, "They don't care. They think they are kept in office by those who want to 'soak the rich,' and that big spending will look like that to their supporters."

There may be no hope of getting a majority of legislators to consider the general good until reelection has been abolished. However, in the meantime, it may be possible to make a greater number of voters understand that it is not possible to "soak the rich" by bankrupting the Federal Treasury.

"The rich," that nebulous aggregation presumably useless except for milking, actually is composed of individuals who have had 25 years to protect themselves against the results of the inflationary policies inaugurated by the national government in 1933.

"The rich" are few and well informed. The many who cannot protect themselves against monetary inflation are those who spend all their money from week to week and whose older relatives are living on social security.

Congress might heed the protests of the many. And it must be assumed the only reason Washington is not hearing from "the little man" is because he does not realize that tax-wise he is the big man, the one who is being robbed by inflation.

No research deeper than page 755 of the "World Almanac" is needed to show whose taxes pay and salaries of Senators and Congressmen. In 1956 Federal income taxes were:

	Number of Taxpayers	Inc. Tax paid
Adjusted Gross Income under $25,000	58,340,440	$25.551,927,000
Over $25,000	458,443	7,180,205,000
Paid by withholding tax		30,478,510,000

It is the citizens with incomes of less than $25,000 a year who elect legislators. Many of these citizens, indeed most citizens, would fall asleep trying to read the Federal budget. But the youngest wage earner knows that if he spends more than he earns he gets into trouble. Our national treasury is in trouble for that very reason.

Any taxpayer, either large or small, can learn just how excessive Federal spending can destroy the dollars in his wallet, has cut them in half, may reduce their buying power even further. But he need not even bother to learn why. He has only to accept the fact that many governments have robbed their citizens in this way. Ask a German. Ask a Frenchman.

The Cruelest Tax

Inflation is the "cruelest tax" because it is an invisible tax on those who cannot protect themselves, on the uneducated, those who earn only just enough, the sick and the old who cannot earn, and those who have "gone without" to save for the education of their children or for their own old age.

Americans are liberal spenders but they are thrifty, too. Savings of various kinds run into billions. In 1956 time and savings deposits were over $4.3 billion, savings and loan shares $4.8 billion, private insurance and pensions $8 billion, government insurance and pensions $3.5 billion, life insurance in force $412 billion. All that money is owed to Americans in dollars, dollars only, no matter if when paid out the dollar buys less than when it was saved.

As long as Congress continues to spend more each year than the government collects in taxes, it is building up debt and increasing the risk that the dollar will buy less and less. Everyone who has saved money has a reason to support the President in his effort to get Congress to hold down spending.

And then there are all the old and sick people who are receiving a fixed number of dollars and cannot hope to get any more except from heavier taxation of workers whose dollars already have shrunk.

There is a figure in the "Federal Reserve Bulletin's" analysis of income called "transfer payments." They are the dole in all its various forms, money paid out for nothing, i.e., social security, relief, veterans' benefits. For both the national and local governments together "transfer payments" were $18.6 billion in 1956. The withering of those dollars year after year would cause great suffering and make thousands of old persons a burden to their younger relatives.

"Inflation does not destroy physical wealth," said Dr. Marcus M. Nadler recently, but he went on to point out that it transfers much of it from the thrifty to the shrewd—by progressively diluting the buying power of the dollar. For example, a real estate operator buys a home on the edge of the business district, pays a big price for it, puts up a building, gets as large a mortgage as possible from the savings bank. The faster Congress increases the deficit and depreciates the dollar, the better for him. He can raise rents and pay off his mortgage in cheaper dollars. The home owner deposits the purchase price in the savings bank and each time he takes out money it buys less than before.

The dollar has been losing its buying power; almost every service and every thing costs more than it did a few years ago. And no one knows how to stop this deterioration while Congress goes on increasing public spending. One way or another, sooner or later, everything has to be paid for, and Congress is not providing any means of payment for the extras except by taking futher giant strides along the downward path of debt.

There still are citizens who believe that they will benefit by heavier public spending at the expense of "the rich." It is "the rich" who can make a good thing out of the inflation paid for by those who will be hurt most by it. With wages, savings, insurance, pensions all worth less and less, those who pay the bulk of taxes will take little pleasure in all the fine-sounding projects for which Congress is spending so liberally. Just as in a family, so in a nation, there can be luxuries, all very well in themselves, which must be postponed until they come within the budget.

"We don't know how many people care about the condition of their country. But those that do had better speak up," said the "Wall Street Journal" in its recent editorial, "More Than a Budget Battle."

The injunction is clear. Everyone who cares, besides his personal protest to Washington, should explain the urgency of immediate protest to several wage workers, white collar workers, teachers, clergymen, ambitious savers, or persons on social security.

Cobwebs by the ton will be cleared out of minds in Washington if Congressmen and Senators find their desks piled high with letters and postal cards from the really important people. If those they think they are pleasing call "Halt," they will listen and understand.

E. E. COOK,

35 Wall Street,
New York 5, N. Y.
February 17, 1959

T. R. Sayers, Director of West Side Fed. S. & L.

Dr. Herman L. Reis, President of West Side Federal Savings and Loan Association, has announced that Theodore R. Sayers has been elected a director.

Mr. Sayers is President of five real estate corporations, representing large realty investments throughout the United States and Canada, Chicago Management Corp., Bliss Building Corp., Rambo Realty Corp., Say-Bar Realty Corp. and Radio City Building Corp. of Montreal, Canada.

With Harris, Upham

John R. Ahlgren had become associated with Harris, Upham & Co. in their office at 99 Park Ave., New York City, as registered representative.

George G. Carey

George G. Carey, associated with W. C. Langley & Co., New York City, passed away Feb. 3.

Marvin L. Mainer Opens

(Special to THE FINANCIAL CHRONICLE)

CENTRALIA, Ill. — Marvin L. Mainer has opened offices at 806 South Poplar Street to engage in a securities business.

Walston Branch

LAKE TAHOE, Nev.—Walston & Co., Inc. has opened a branch office at Zephyr Cove with Rodger W. Bridwell as representative.

Brinton to Admit

Brinton & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on March 1 will admit Benjamin H. Brinton to limited partnership.

Elliott & Co. to Admit

Elliott & Company, 25 Broad Street, New York City, members of the New York Stock Exchange, on March 5 will admit John B. Elliott to partnership.

Jay A. Lennon Co. Formed

HARTFORD, Conn. — The Jay A. Lennon Company has been formed with offices at 750 Main Street to engage in a securities business. Officers are James A. Lennon, President and Treasurer; Esther J. Nazzaro, Secretary. Mr. Lennon was formerly with Federated Management Corporation, Income Foundation Fund, and Coburn & Middlebrook, Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market appears to be digesting the refunding and new money raising issues rather well, and the better tone which has been in evidence in Treasury obligations recently is being attributed to the short breathing spell which the money market is having from operations by the Government. It will not be long, however, before the Treasury will again be the important factor in the money market.

The Government market took the statement by President Eisenhower about a probable increase in the rate limit for long-term Government borrowings above 4¼% pretty much in stride, after a minor dip. There has been a limited and professional demand for the more distant Government securities, but this is not looked upon as more than a rebound from what is termed an oversold condition. In spite of the Federal Reserve System's opinion that interest rates are not likely to move up for the present, liquidity preference shows no signs of abating.

Diverse Comment on Interest Rate Levels

The money market in the past week has had to contend with various opinions, one of which tended to keep the pressure on interest rates whereas the other indicated that there would not be any immediate increase in the cost of borrowing funds. President Eisenhower, in his weekly press conference, said that the Administration may soon have to ask Congress to raise the interest rate ceiling on marketable Government bonds above the present limit of 4¼%. It was stated by the President, however, that such action would be taken only if interest rates continued to rise. The present 4¼% rate was set more than 40 years ago, on April 4, 1918, when the limit was raised from 4%.

The 4¼% rate which is currently in force applies only to marketable securities with a maturity of longer than five years. There is no ceiling on the rates which the Treasury can pay for short-term obligations; that is those issues which have a maturity of less than five years.

As against this statement by President Eisenhower, that the limit on long-term borrowing rates might have to be raised above the existing 4¼% ceiling in order to finance the needs of the Treasury, the Federal Reserve System indicates that it does not necessarily see interest rates headed upward for the present. It is noted by the System that there is quite a bit of slack in the demand for funds, especially due to the current lower level of corporate borrowings both in the capital market and at the banks.

It is the opinion of the Federal Reserve System that it is far from a foregone conclusion that interest rates have to go higher. There is not likely to be an important demand in the need for funds, according to the Central Banking System, until there is renewed spending by business for plant and equipment, and for the rebuilding of inventories. But for the present they see no conclusive signs of a swing away from inventory liquidation to accumulation or accelerated capital spending by business.

As a result, the powers that be are continuing a neutral credit policy described as one poised somewhere between active ease and active restraint.

Investors Not Reassured

It is, however, quite evident that the monetary authorities are in a position to move against the inflationary forces as they become more prominent, or as the inflation psychology or fear becomes a reality. This will have to mean higher interest rates in the opinion of not a few money market specialists, because it is through the restricting of credit and higher interest costs that the forces of inflation are ground to a halt.

Thus, in spite of the beliefs of the Federal Reserve System that interest rates may remain in a plateau for a limited period of time, there are no displays of such assurances among those investors that could be buyers of the longer-term Government bonds, since they continue to confine their commitments in Treasury issues to the short-term liquid obligations. It still seems to be liquidity preference and, as a further hedge against inflation, they continue to make sizable purchases of common stocks.

No Credit Ease Foreseen

Also, as long as the Federal budget is unbalanced, and the Treasury will be a borrower of funds in addition to its refunding of sizable amounts, there is not going to be a great deal of ease in the money market. And, in order to extend maturities, the Government will have to meet existing competition, and this could result in a higher long-term borrowing rate limit.

Form W. T. Hartline Co.

DALLAS, Texas—W. T. Hartline & Company has been formed with offices at 6936 Kenwood to engage in a securities business. Officers are William T. Hartline, President and Treasurer; Jess M. Irwin, Chairman of the Board and Assistant Secretary; and Alice Mahar, Secretary.

Form Osborne, Clark

Osborne, Clark and Van Buren, Inc. has been formed with offices at 10 East 39th Street, New York City to engage in a securities business.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter E. Nosek is now connected with Coburn & Middlebrook, Inc., 75 Federal Street.

With Union Security

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Jack E. Arnesen is now with Union Security Company, 29 South La Salle Street.

First Boston Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Philip E. Brickley has been added to the staff of the First Boston Corporation, 75 Federal Street.

Now With Joseph Mellen

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Joseph H. Ternes has become associated with Joseph, Mellen & Miller, Inc., Union Commerce Building, members of the Midwest Stock Exchange. He was formerly with Lawrence Cook & Co.

Continued from page 3

Chemicals . . . Buy for 1959

This figure represents about seven weeks of supply at the current sales rate which, we might infer, is not a bad picture at all. Last March, during the height of the recession, chemical industry inventories amounted to over $3.9 billion, or more than two months of sales.

New Plastics' Record Expected

Among the various product groups within the industry, plastics last year — although accustomed to a very rapid growth throughout their entire history — slowed down to a walk. Nevertheless, 1958 will be recorded as the year in which **polyethylene** became Number 1 in the plastics field—pushing vinyls into second spot. Incidentally, vinyls for the first time now appear to have over-capacity headaches.

This year is expected to be the first in which production of any plastic totals a billion pounds. This plastic is, of course, polyethylene. However, the picture is not without dark spots. By the end of 1959, polyethylene capacity is expected to exceed 1.3 billion pounds, thus providing over-capacity of about 30% for the trade. Most of this idle potential, by the way, is Ziegler and Phillips-type. Overseas markets for conventional polyethylene, which today account for nearly a third of total sales, are expected to tighten considerably this year.

Spotlight on New Synthetic Fibers

The year ahead is almost certain to find synthetic fibers in the spotlight. This should occur for two reasons: rising production and increasing capacity. In fact, a survey just released by the Textile Economics Bureau estimates current man-made fiber capacity at 2.3 billion pounds a year. By March, 1960, this capacity should have increased another 120 million pounds.

Du Pont is expected to put a dacron expansion on stream at its plant in Tennessee by mid-year. At this expanded plant, capacity will be approximately 56 million pounds a year which, incidentally, more than doubles the plant's earlier capacity.

In 1958, most man-made fibers experienced a poor year . . . with one exception—**acetate.** Production of this synthetic fiber increased for the first time since 1955 and, production should hold up at least as well this year. One reason for the increase in this particular fiber is the growing cigarette filter markets.

Prices and Financial Aspects

In connection with prices, the overall outlook is good. However, a number of uncertainties are in prospect for the chemical industry this year. In the quarter just ended, price declines far outnumbered advances and at the present time there are a number of buyers who are deferring 1959 purchases because of this price uncertainty.

Now—let's look at the financial aspects of chemical companies. While it is true that both sales and production recoveries were being reflected by the end of 1958, a considerably **more dynamic** recovery was evident in **earnings.** For example, in 1958's first quarter, chemical companies reported net income at about 25% below results for the same period in 1957 . . . in the second quarter, earnings were running about 16% below previous year levels . . . third quarter earnings were off only 4% . . . and fourth quarter results—when they are reported in the next couple of months—are likely to reveal very little change from the final quarter of 1957. In fact, many companies are expected to be **ahead** in a year-to-year comparison of final quarter results. The year 1958, as a whole, will be one of reduced profits for a number of producers but—**and this is significant**—the profit **trend** moving into 1959 is definitely upward.

Of particular interest in analyzing chemical companies is the recovery which was revealed during the past year. Pre-tax profits, under heavy pressure from increasing operating costs since the end of 1955, declined from about 16% to around 12% early in 1958.

Subsequently, however, a number of factors helped to reverse this trend. The industry's heavy outlays for new plant and equipment over the past three years has put new—and more efficient—equipment into operation. In addition, the recession prompted alert managements of many companies to take a closer look at operating costs. Economy programs—whether they involved the disposal of unprofitable operations, or merely a more challenging look at too-long-coffee-breaks—have contributed immensely to the increase in profit margins.

Also, the increase in sales has had a big impact on profit margins. Total productive capacity built up in recent years gives a lot of leverage to chemical companies' earning power. Many companies now can increase output without much additional expense.

The overall picture in sales, earnings and profit margins is clearly revealed if you examine **quarter-by-quarter** totals over the past year for many of the leading industrial chemical manufacturers.

All of this is laying the foundation for continued recovery in the net income of chemical companies this year provided, of course, the economy as a whole continues upward . . . and economists are almost unanimous in predicting that it will.

Describes Oncoming Problems

Chemical firms, admittedly, must face up to several serious problems if the industry is to continue to advance. For example, costs must be kept under strict control, and the burden of widespread over-capacity must be lived with until demand increases sufficiently to utilize it.

On the other hand, reduced capital spending will result in a lower cash drain from start-up costs, and the industry is now in a good position to step up production quickly to meet increasing demand — **without** increasing either capacity or employment significantly.

The year ahead is not apt to witness such a dramatic economic upswing — or at least at not as high a **rate** as has been seen during the past six to nine months. Several chemical industry experts have forecast increases in production in 1959 of about 5%, and it will probably be some time before profit margins again reach the highest levels achieved during the past decade.

Nevertheless, over the longer term, the chemical industry's growth rate is expected to continue to outpace that of industry as a whole.

Discusses Dividends

Now as to dividends. . . . Despite declines in earnings in many cases last year, dividend payments held up better than many people had expected. Overall total cash dividends paid by chemical companies reveal but little change from 1957. In fact, a few companies managed to pay out more to stockholders last year.

One combination of this was in the case of pharmaceutical companies. However, dividend increases by drug companies were balanced by a number of sizable dividend reductions on the part of chemical producers. In some cases also, companies that managed to maintain cash dividend rates, cut back on stock dividend payments which they had been distributing to shareholders in recent years as year-end extras.

Now — with earnings showing a much stronger trend toward the end of 1958 and into 1959 — dividend rates look much safer. Moreover, chemical firms will probably need less cash for capital expansion than they did a couple of years ago. As a result, company managements may feel they can be a bit more generous in payments to stockholders in the year ahead.

I think it is safe to say that the chemical industry has been one of the leaders in allocating large sums of money each year for **research.** In fact, a policy of continuing to spend more each year on research remains, in my opinion, the backbone of this industry. Chemical companies in the aggregate invest nearly $600 million a year in their laboratories . . . this year, incidentally, companies have budgeted $700 million for research. It has been estimated that at least 14% of all the scientists in the United States are employed in the chemical industry.

As a result of the expenditures of such sums improvements in existing products, as well as the introduction of new products, has been and will, I should think, continue to be the motivating reasons for the expected continued growth of chemical companies.

Expected Research Results

It has been estimated that by 1961, 14% of total chemical sales are expected to be derived from products which were not even made in 1957. The specter of rapid obsolescence in this highly competitive industry virtually demands that successful companies retain the best scientific talent available in order to achieve and to maintain leading positions within the industry.

Future growth lies in many directions . . . some of which are still in the embryonic stage. We have already seen evidence of the potential in the field of plastics such as polyethylenes, polypropylenes, polyvinyls, phenolics and epoxies . . . agricultural chemicals, fluorine chemicals to propel the missiles of tomorrow's rocket age . . . boron derivitives, new ingredients for synthetic fiber . . . polyurethanes for both rigid and flexible foams . . . and rare metals such as lithium and zirconium. Polypropylene, as a matter of fact, with the first 20-million-pound plant built by Hercules Powder has just skimmed the surface of tomorrow's demand. This tougher plastic with present lower raw material cost is believed to be only on the threshold.

Chemical stocks provide an investment medium where a high premium has long been placed on earnings, in relation to selling prices. In my opinion this will continue to be true for some time. There are those who feel that current prices for chemical stocks are now too high. This of course begs the question: "high in **relation** to what?". If we use as our criteria earnings for 1958, then I think the answer unquestionably is yes . . . prices are high. If on the other hand we use as our criteria, prospective earnings in 1959 and 1960, today's market prices for chemical stocks would not, in my opinion, appear as high. high.

This would seem only reasonable if:

(1) we are to return to our earlier level of industrial activity and

(2) if general business this year is to be at a high level and—as the end of 1959 approaches—business **may** even surpass the record highs achieved in 1957.

If these are reasonable assumptions, then the demand for chemical products should increase and, consequently, earnings for the leading chemical companies should improve.

That, in my opinion, will be the time when the over-capacity in the industry which now concerns some investors **may** prove to be one of the bright spots and, in fact, the real **attraction** of the stocks in this industry.

It would seem to me that more people will realize that the industry's up-to-date facilities should contribute to lower costs as volume increases and, chemical stocks should be more favorably situated with investors than many other industry groups.

A Robust Industry

Let's not forget, the chemical industry is a robust industry. It has an investment of nearly $20 billion . . . it employs some 840,000 people . . . and, again, in my opinion, should continue to outperform the growth of our overall economy.

Managements of leading chemical companies today are much better and are much more experienced than was the case just a few years ago. Future expansion is scheduled to be directed toward plant improvement rather than adding to capacity, thus, companies should not require nearly as much in the way of capital expenditures. Inferrably, one might even pose a brief for higher dividend payouts on this basis.

Summary

In summary I think that the disfavor which the chemicals have experienced in some sectors is without real justification. It would seem to me that there are few opportunities of equal attraction to match that apparent in the chemical industry for sharing in our prosperities of tomorrow.

Continued from page 5

Dangerous Road Conditions Ahead In the National Highway Program

estate for right-of-way but was not mentioned specifically in the Bureau of Public Roads' explanation.

While the reported increase was 37%, it failed to include the cost of approximately 2,548 miles of interstate highways which had not been designated at the time of the preparation of the 1958 cost estimate. Allowing about $1 million a mile for this mileage brings the current estimate up to over $40 billion. But even this figure makes no provision for reimbursement for Toll Roads and Free Roads not built with 90-10 money, but incorporated in the 41,000-mile Interstate System. At the same time, a report from the Secretary of the Treasury on the estimated annual status of the Highway Trust Fund for the period from March 1, 1957 through 1972 disclosed the alarming fact that the "pay-as-you-go" provision of the Byrd Amendment would necessitate the cutting back of the Interstate Program by $600 million in 1960 and $800 million each year, 1961, 1962 and 1963. This cutback in authorization together with the increased cost estimates gave rise to talk about a "stretch-out of the program."

A New Standard

I want to emphasize the statement made in my opening paragraph that for the first time in history Congress in 1956 departed from its customary practice of authorizing so many million dollars worth of Federal aid to highway construction and instead authorized and directed the construction of a fixed number of miles (41,000) of Interstate expressways to be built to high standards and to be completed simultaneously by all the States in 13 years or as reasonably close thereto as possible. In other words, we have fixed mileage, fixed standards, fixed time for accomplishment. The only variables and ones which Congress can neither fix nor control are COSTS and Trust Fund income from existing taxes.

Faced with this situation, the Congress went promptly to work in 1958 to insure that the program would not bog down. In passing the 1958 Highway Act it reconfirmed its previously expressed intention of seeing to it:

(1) That the program is not stretched out.

(2) That the Interstate System is completed on time.

(3) That the ABC Program is accelerated annually at a $25 million rate as originally contemplated.

In passing the 1958 Highway Act, Congress provided only a stopgap measure but, nevertheless, one which will carry the program through 1960. The highlights of this Act were:

(1) Acceptance of the 1958 cost estimates as the basis for apportionment of funds for 1960 for the Interstate System under the needs formula.

(2) A step up in the Interstate authorization for 1959 of $200 million, for 1960 of $300 million, and for 1961 of $300 million in recognition of the increased costs.

(3) A suspension of the provision of the Byrd Amendment for 1959 and 1960, thus permitting the program to continue with the understanding that any deficiency in the Trust Fund would be made up by borrowing from the General Fund of the Treasury. This permitted the following Interstate authorization to be apportioned to the States:

1959—$2.2 billion instead of $1.6.
1960—$2.5 billion instead of $1.4.

(4) The authorization for ABC roads of: 1960—$900 million; 1961—$925 million.

(5) The authorization of emergency funds on a 66⅔-33⅓ basis for ABC roads in the amount of $400 million, all of which to be put under contract by Dec. 1, 1958, as an aid to overcoming the recession. It also made an additional $115 million available to loan those States unable to raise the increased matching funds.

(6) Delayed the submission of the Bureau of Public Roads' study on "Benefits and Beneficiaries" until 1961.

(7) Ordered a new cost estimate to be made of the Interstate System for submission in 1961 instead of 1962, as directed in the 1956 Act.

We find ourselves today with the realization that major legislative changes must be made in this session of Congress or there will be NO Interstate Program for 1961. In his Budget Message advocating a 1½s gas tax increase, President Eisenhower listed the Trust Fund year-end balances under present conditions, as follows: 1960—$241 million; 1961—$1.059 billion; 1962—$2.166 billion.

Normally, apportionments of funds are made by the Bureau of Public Roads one year in advance of the beginning of the fiscal year. Hence, 1961 apportionments should be made about July 1, 1959. This is necessary to permit the states whose legislatures meet bi-annually to take steps to raise the necessary matching money.

What It Required

In making a thorough study of the financial aspects of the highway situation, it was easy to see that if we are to accomplish the stated desires of Congress, we must have two things: More money; more authorizations.

In approaching our study, my staff and I found it necessary to assume that Congress will maintain certain attitudes toward the highway program, and will make certain basic decisions. The following assumptions were made as a first step in our study:

(1) That Congress still intends that the 41,000-mile Interstate System be completed by all States to presently approved minimum standards "in the earliest practical time," and is still shooting for a 13-year authorization. In other words, we assumed that there will be no stretch-out.

(2) That Congress still wants to maintain a balanced program and hence will continue to increase the ABC Federal authorization at the rate of $25 million a year until it reaches a $1 billion annual level.

(3) That, pending receipt of a new cost estimate not due until January, 1961, Congress will accept the 1958 cost estimate as the basis for apportionment of the 1961 Interstate authorization, so that the apportionment can be made on schedule in July, 1959.

(4) That Congress will again suspend the Byrd Amendment insofar as it applied to the apportionments for the fiscal year 1961.

(5) That, if Congress decides to reimburse the States for the equivalent of about 6,000 miles of toll roads and free roads not built with 90-10 money but which have been incorporated into the Interstate System, it will either delay action until completion of the Interstate System or will take special action to provide for refunding outside of the Highway Trust Fund. By making this assumption, we avoided a complication which would have made the problem of finding a financing plan for the highway construction program a much more difficult one.

(6) That Congress will use the four-year economic study by the Bureau of Public Roads of the benefits and beneficiaries of the highway program, due in 1961, as a basis for a review and revision of the base of taxation which supports the program.

With these assumptions before us, we then adjusted the future Interstate authorizations to cover the cost of the entire 41,000-mile system, using the latest official cost estimates, but making no provision for reimbursing the States for the toll roads and free roads. On the 10th of January, this year, the Secretary of Commerce submitted two plans for the consideration of Congress on this subject. Neither plan calls for any action until after completion of construction of the remainder of the 41,000-mile Interstate System.

We also increased the ABC authorizations for 1962 and yearly thereafter at the rate of $25 million annually until it leveled off at $1 billion in 1964.

Highway Trust Fund's Limitations

A careful analysis was then made of the projected status of the Highway Trust Fund, as prepared by the Secretary of the Treasury, and the rate of anticipated cash withdrawals, as forecast by the Bureau of Public Roads. Using these figures and rates as a guide and basing our calculations upon our assumptions, a new table was developed of the cash needs required to permit the program to proceed at the originally planned rate. This table disclosed these alarming conditions:

(1) Based upon the latest official cost estimate, the authorizations for the Interstate System for 1962 through 1969, as contained in the 1956 and 1958 Highway Acts totaling $15.725 billion, are inadequate in an amount of $10.225 billion.

(2) The Highway Trust Fund was born on July 1, 1956, with a zero cash balance, but with an inherited indebtedness of $1.98 billion from previous unliquidated authorizations.

(3) The Highway Trust Fund will be in the RED approximately $923 million by 1960. I emphasize again that these are computations based upon our assumption and hence do not necessarily agree with some official published figures.

(4) The deficiency will amount to about $5 billion by 1963.

(5) The total income to the Trust Fund through 1972 will be inadequate to finance the program by about $12.6 billion.

The above points raise two logical questions:

First: With future fluctuation in cost estimates probable, what should be done to provide authorizations which will insure the building in a given number of years of the 41,000 miles of highways rather than so many dollars worth of highways?

Second: How can the future deficiency in the Highway Trust Fund be avoided; or, stating the question another way, how can the financing of the highway program be put on a sound basis?

Several Solutions

There are, of course, several possible solutions, all of which, no doubt, will be studied by the appropriate committees of Congress. Some possible solutions are:

(1) Increase the Interstate authorizations in recognition of the revised cost estimates and make provision for *automatic future periodic revisions* as necessary whenever new cost estimates are approved. Also, make provision in all financing plans for support of the stepped-up ABC authorizations needed to keep the program in balance.

(2) We might increase Federal taxes earmarked for the Trust Fund sufficiently to put the program on a sound cash basis. This solution would require a very substantial increase in these taxes. The Administration's proposal to increase the Federal gasoline tax by 1½c from 3 to 4½c would provide initially only $830 million, based upon the estimated 1960 income of $1.661 billion from the present 3c tax, and presuming that no reduction in gasoline consumption would result from the increased tax. Projecting this increase yearly through 1972 in proportion to the official income forecast for the 3c tax would produce a total new income of $12.7 billion, which would be adequate in total but not on yearly cash basis. This solution on a temporary basis through 1963 has Administration blessing and, if coupled with the rescission of the Byrd Amendment, would provide adequate financing. After 1963 it would require borrowing from time to time from the General Fund to meet peak cash demands.

(3) We might transfer additional revenue from so-called highway user taxes from the General Fund to the Highway Trust Fund. The following are frequently considered highway user taxes, revenue from which does not go into the Highway Trust Fund. The revenue figures shown are for fiscal 1958:

	Billion
Auto excise taxes	$1.30
Truck & bus excise taxes	0.12
Spare parts, accessories excise taxes	0.15
Tax on lubricating oils	0.03
Total	$1.60

A glance at this total indicates that the problem of financing the highway program could be solved very simply by transferring these revenues to the Highway Trust Fund. However, there are two serious difficulties:

First: Administration spokesmen have indicated opposition because they do not consider these excise taxes to be highway user taxes; and

Second: Such a transfer would create an equivalent deficit in the General Fund.

(4) Make a direct appropriation annually from the General Fund to cover the deficiency in the Highway Trust Fund. There are sound reasons why the General Fund should be used to help support the highway program, since many of the benefits are spread well beyond the highway user and can be measured in terms of general welfare, national economic growth, and national defense. The objection to this approach is that, with the Byrd Amendment in effect, apportionments would be controlled by the availability of cash. This would have been the case last year had the Byrd Amendment not been suspended for 1959 and 1960. To complete the program on time the authorizations, and apportionments made under them, must be controlled by the estimate of money needed to do the job, not by the cash available in an inadequate Trust Fund. To be dependent upon a yearly appropriation from the General Fund would again inject a factor of uncertainty, tending to discourage sound long-range planning by both the States and industry.

(5) Finance the Trust Fund deficiency by borrowing with future Trust Fund income earmarked to cover repayment.

This is an appealing approach and has some sound justification. We are attempting in 15 years to build the roads which should have been built in 1940-1956 plus our current road needs, and we are building to standards required for the traffic of 1975. Why should we build roads good for many years of use and pay the whole bill today for yesterday's, today's, and tomorrow's roads? Why not let some of the future beneficiaries pay part of the cost?

This borrowing method would give Congress the opportunity to delay any revision in highway user taxes until after the Bureau of Public Roads submits its four-year comprehensive study of the "Benefits and Beneficiaries of the Highway Program" in 1961. When this study is completed, Congress will be in a good position to review the entire tax base on which support of the highway program now rests. At that time it would have a basis for revising taxes supporting the Trust Fund to fairly distribute the remaining costs of the highway program among the beneficiaries.

What Is Required

In order to carry out this solution, the following steps would be required:

(a) Suspend the Byrd Amendment.

(b) Suspend the termination date of the Highway Trust Fund and the date of the taxes which feed it.

(c) Cover the deficiency through 1963 by borrowing either:

(1) From the General Fund (repayable 10-15 years).

(2) By issuance of 10-15-year Highway Bonds.

(d) Provide increased taxes to be effective July 1, 1962, adequate to raise sufficient revenue to pay off the indebtedness, pay interest for 10-15 years, and keep the remainder of the program on a cash basis beginning with 1964. This would require about $1.5 billion annually in new tax revenue.

Or, as an alternate step:

(e) Cut the tax increase proposed in "d" above in half—or to $750 million annually—and continue deficit financing at about $1 billion a year through 1971.

I worked out the answer to this last solution for the period from 1957 through 1978. Some of the interesting results of the study are:

(1) Outstanding indebtedness at the end of the present accelerated program in 1972 would be $10.2 billion.

(2) This balance of $10.2 billion would be liquidated by 1978.

(3) The total interest on the indebtedness would probably be far less than the increased capital cost if the construction of the roads in 1960-72 made possible by the borrowing were delayed until after 1973.

(4) By continuing the taxes and Trust Fund through 1978, the plan would permit the continuation of Federal aid during the years when the indebtedness is liquidated, as follows:

Interstate	Annually
1973-1977	$1 billion
1978	1.5 billion
ABC	
1973-1978	1 billion

(6) The last approach to solving our financial problem would be to put all Interstate Highways on a toll status. Finance, say 50-80% of the cost with direct Federal and State Funds, and cover the balance with Toll Road Revenue Bonds to be paid off by toll from the users.

These, gentlemen, are some of the financial aspects of the Highway Program which will receive the careful attention of our Congress. The leaders of the highway committees of both Houses have indicated a determination to see that corrective legislation is passed in this session.

Before closing, I want to add a few miscellaneous thoughts concerning the highway program.

(1) Nineteen-fifty-nine will be the biggest highway year in history with the construction component amounting to about $6 billion of a $7.1 billion program.

(2) Demand will increase for construction equipment, particularly to replace obsolescent items with faster, heavier and more efficient models.

(3) Demand will increase for the items which go into the highway; such as steel, aluminum, asphalt, tar, cement and all forms of aggregate.

(4) Progress will be made in the wider use of electronics and photogrammetry and in the adaptation of nuclear energy in highway work, particularly the utilization of radioisotopes.

(5) Progress will be made in the use of standardized bridges resulting in greater efficiency and economy and less delays.

(6) Despite the step up in the construction program, highway contractors will be operating well below their capacity.

(7) Despite the size of this great construction program, its impact will not be inflationary. The average number of bids received per contract during 1958 has been seven and bid prices have averaged 10% below the engineers' estimates in most instances.

(8) If emergency public works expenditures are ever needed as an aid to a sagging economy, the highway industry stands ready with planned, fully justified projects. It puts money to work fast, efficiently and effectively on badly needed construction which pays quick dividends to the public in safety, convenience and lower costs. No public works program has so broad and rapid an impact on our economy both geographically and industrywise as the highway program.

Form Estate Planning

NEW BEDFORD, Mass.—Estate Planning Corp. has been formed with offices in the First National Building to engage in a securities business. Officers are George M. Levenson, President; Henry C. Holcomb, Treasurer; and Joseph V. Smith, Assistant Treasurer.

Morgan Stanley Group Offers Ill. Bell Bonds

Morgan Stanley & Co. heads an underwriting group of 29 investment firms that is offering for public sale today (Feb. 26) a new issue of $50,000,000 Illinois Bell Telephone Co. first mortgage 4⅜% bonds series F, due March 1, 1994. The bonds are priced at 101% and accrued interest, providing a yield of about 4.32% to maturity.

The issue was awarded to the Morgan Stanley group at competitive sale yesterday (Feb. 25) on its bid of 100.28% which named a 4⅜% coupon.

The net proceeds of the sale will be used by the communications company to reimburse its treasury for expenditures made for extensions, additions and improvements to telephone plant. Construction expenditures for 1958 were approximately $140,000,000. The company reports that further large expenditures are needed to meet the demand for telephone service, to expand dial operation and finance other improvements. The company is a subsidiary of American Telephone & Telegraph Co.

The new bonds will be redeemable at 106% to and including Feb. 28, 1961 and thereafter at prices decreasing to the principal amount on and after Mar. 1, 1989.

Illinois Bell Telephone provides service in Illinois and in two counties in Indiana. On Dec. 31, 1958 the company had 3,708,763 telephones in service, about 49% being located in the City of Chicago. The company reported total operating revenues of $469,416,826 for 1958 compared with $445,540,416 in 1957. Total income before interest deductions for the two periods amounted to $72,964,463 and $63,899,945, respectively.

At Dec. 31, 1958 the company had a total funded debt of $205,000,000. American Telephone owns more than 99% of the outstanding common stock.

Purch. & Sales Div. Elects Officers

The following officers of the Purchases & Sales-Tabulating Division of Wall Street, Association of Stock Exchange Firms, were elected for the term of one year at a meeting on Feb. 21:

President: Carmine Carmello, Richard J. Buck & Co.

1st Vice-President: John E. Jacobs, Eastman Dillon, Union Securities & Co.

2nd Vice-President: Gerald Pyper, Shields & Co.

Treasurer: Robert Gerber, Troster, Singer & Co.

Asst. Treasurer: Nat Faragasso, F. I. duPont & Co.

Secretary: Frank Di Paola, Kidder, Peabody & Co.

Asst. Secretary: Louis Nardone, L. F. Rothschild & Co.

Financial Secy.: John Rouse, Hayden, Stone & Co.

Form Market Improvement

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Market Improvement Company has been formed with offices at 6695 N. W. 36th Avenue to engage in a securities business. Officers are T. W. Smith, President; Daisy Bisz, Secretary; and T. B. Moorhead, Treasurer.

Midamco Opens

OKLAHOMA CITY, Okla. — Midamco, Inc. has been formed with offices in the Mid-America Bank Building to engage in a securities business. Officers are Wilfred M. Avery, President; Louis R. Wilson, Vice-President; John M. Rowntree, Secretary-Treasurer; and J. F. Gibson, Assistant Secretary and Assistant Treasurer.

Smith, Barney Group Offers Thomas & Betts Stock at $17.50 a Shr.

The first public offering of stock of The Thomas & Betts Co., of Elizabeth, N. J., a leading electrical products manufacturer, is being made today (Feb. 26) by an underwriting group managed by Smith, Barney & Co. This offering, a registered secondary of 300,000 shares of common stock, will be priced at $17.50 per share. It will represent approximately 20% of the outstanding shares. The selling shareholders which include the Chairman, the President and other key officers will continue to own approximately 40% of the outstanding shares following this offering.

Net sales of Thomas & Betts in 1958 amounted to $17,084,414 and net profit was $1,524,936. The company has declared a 20 cent quarterly dividend on the common stock payable March 31, 1959 to holders of record March 16, 1959. The shares being offered today will participate in this dividend.

Thomas & Betts manufactures a broad line of electrical raceway accessories and conductor connectors many of which are installed with company designed tools and equipment. These products which are used throughout entire electrical systems number some 25,000 items and comprise one of the most complete inventories of electrical "shelf goods" available in the industry. The company engages in a continuing program of product innovation and improvement and is constantly designing and manufacturing items to meet customers' specific requirements.

In January, 1958, the company acquired a partially developed line of continuous strip solderless terminals and related automatic attaching machines by purchasing the Kent Mfg. Corp. of Newton, Mass. At the company's main plant in Elizabeth, a 92,000 square foot plant addition is under construction.

Magnavox Conversion Privilege Exercised

All holders of the 92,561 shares of Magnavox Co. 4¾% cumulative convertible preferred stock which were called for redemption as of Feb. 5, 1959, have exercised the privilege to convert said shares into common stock through Feb. 2, 1959.

Pursuant to a standby agreement, Blyth & Co., Inc. offered during the period from Dec. 29, 1958 to Feb. 2, 1959 to purchase at a price above the redemption price any preferred stock tendered to it and to convert such preferred stock into common stock.

Keller Brothers Add

(Special to The Financial Chronicle)

BOSTON, Mass. — Joseph A. Carmichael, Melvin W. Cohen, Charles J. Hughes, George Katzman, and James A. Petti have been added to the staff of Keller Brothers Securities Co., Inc., Zero Court Street.

Joins P. de Rensis Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Richard L. Shea has become associated with P. de Rensis & Co., Inc., 126 State Street, members of the Boston Stock Exchange. Mr. Shea was formerly with Schirmer, Atherton & Co.

McDonald Adds to Staff

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Clitus H. Marvin has been added to the staff of McDonald & Company, Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Continued from page 4

The State of Trade and Industry

limited output of a major auto producer and total auto assemblies declined. Activity remained at reduced levels in the farm machinery industry, owing to work stoppages, but continued to increase in other business equipment lines.

Expansion in nondurable goods industries was resumed in January and over-all production reached a new high. Minerals output declined slightly as curtailments in coal mining and oil and gas well drilling were not fully offset by increases in other mineral products.

Construction: Private housing starts in January were at a seasonally adjusted annual rate of 1,350,000 units, somewhat below the high December rate. The value of total new construction put in place rose further to a seasonally adjusted annual rate of $54.3 billion, 17% above the May 1958 low and 11% above a year ago. The January advance was marked by gains in private residential, highway, and public utility activity.

Employment: Seasonally adjustd nonfarm employment rose somewhat in January to 51.0 million, reflecting advances in trade, construction, and state and local government. Unemployment increased seasonally to 4.7 million and the seasonally adjusted rate was about unchanged at 6% of the civilian labor force. In manufacturing, weekly earnings decreased slightly as average weekly hours worked declined seasonally. Hourly earnings were unchanged at $2.19 and averaged 4% above a year earlier.

Distribution: Seasonally adjusted retail sales, which had risen 4% in December to a new high, were maintained in January. Sales at department stores declined but, like total retail sales, were 5% above a year earlier. Unit sales of new autos declined about seasonally and were substantially above the reduced year-earlier level.

Commodity Prices: Average wholesale prices of industrial commodities rose further from mid-January to mid-February — to a level 2% above the recession low last spring. Prices of steel scrap, copper, cotton textiles, and some other materials advanced and there were scattered increases among finished products. Meanwhile, prices of farm and food products declined, reflecting mainly decreases in hogs and pork in response to large supplies, and average wholesale prices of all commodities changed little.

Bank Credit and Reserves: Total loans and investments at city banks declined $1.7 billion in January and early February largely reflecting seasonal repayments of bank loans. Holdings of U. S. Government securities increased slightly, in contrast with the usual decline, as bank acquisitions of new Treasury issues in late January exceeded reductions earlier in the month.

Member bank borrowings from the Federal Reserve averaged $470 million and excess reserves $440 million over the four weeks ending Feb. 11. Borrowings were about $220 million less than in the previous four weeks while excess reserves were about $160 million less. Reserves were supplied to banks through continued currency inflow and were absorbed through reductions in Federal Reserve holdings of U. S. Government securities and in float.

Security Markets: From mid-January to mid-February yields on Treasury bonds remained near postwar record highs and yields on high-grade corporate and State and local government bonds increased. The Treasury bill rate declined sharply at the end of January, reflecting demands from investors switching out of government securities involved in the large February refunding. As a result of the large volume of cash redemptions in the refunding, the Treasury on Feb. 11 offered for cash $1.5 billion of September tax bills, and the bill rate rose somewhat.

American Economy Expected to Double by 1975

America's total output should more than double by 1975, but it can move only as fast as construction will pace it, "Engineering News-Record," the McGraw-Hill publication, declares.

Just as the construction industry has led the nation's economy out of three recessions and as it guided the postwar boom, so it will pace—and surpass—the upward swing of the nation's economy, the article says.

"To do this, the construction industry must solve some major problems, and perhaps one of them," the article comments, "is to do a better job of telling the public how construction can contribute to faster economic growth."

In today's prices, the Gross National Product should reach $855 billion by 1975. This is nearly double the $437 billion in 1958 estimate. Construction, in order to reach its goals will have to determine how best to utilize new resources and existing resources, how to expand production facilities and improve distribution.

Solutions to these problems will require billions of dollars for the construction that must precede higher output and improved distribution. For this reason, construction's growth must rise faster than the total economy. Outmoded public and private plants must be modernized to keep pace.

This means, that by 1975, annual construction volume will more than double. By 1975, (in 1958 dollars) heavy construction contracts will total $40 billion.

Steel Buyers Resorting to "Desparation" Moves

A note of panic is creeping into the steel market, according to "The Iron Age," national metalworking weekly.

"Iron Age" said more steel users are talking to the mills about lining up ingots and slabs for conversion to sheet and strip.

"This is a costly arrangement for the steel buyer and represents a desperation move on his part," said "Iron Age." "It usually involves a lot of cross-hauling and extra handling that run up the final cost of the finished product."

The metalworking magazine noted that both the mills and their customers are running into still another problem: the probability of a freight car shortage.

Says one traffic authority: "Within two weeks we'll be in a desperate condition." The mills are rapidly reaching the point where they must ship by whatever means happen to be at hand. The boom in steel demand has also showed up a truck shortage. This situation is expected to worsen in the months ahead.

Meanwhile, order backlogs at some mills have hit an all-time high. Unshipped orders at one company have more than doubled since the start of the year. "This is the worst binge we've ever had," said a leading steel man.

"Iron Age" said the logjam is worst in flat-rolled products—hot- and cold-rolled sheet, terneplate, enameling sheets, electrical and galvanized sheets. For all intents and purposes these products are sold out for the first half of the year.

Demand is strengthening for oil country casing and tubing, large diameter linepipe hot- and cold-finished bars. Standard pipe, small linepipe, standard structurals and rails are still lagging. Plate and wide flange structurals are classed as "tight."

"Iron Age" said the boom in steel demand is due largely to fears of a steel strike at mid-year. Steel users are trying to rebuild their inventories as a hedge against a walkout.

"The worst of it is," said the magazine, "some steel buyers may have waited too long to rebuild their stocks. The movement comes at a time of rising industrial output, and metalworking companies are chewing up more steel to keep pace with better business. This tends to nullify efforts to build up a cushion against the possibility of a steel shutdown."

"Iron Age" said that more users have begun to worry about their inventory position after, as well as during, a strike. So they're placing orders for third quarter delivery on the assumption that they will be near the head of the line when a walkout has ended. The mills are warning customers that June carryovers and July orders will be the first post-strike business taken care of.

Steel Industry Verging on New Production Record

Upsurging steelworks operations supported by fear of a mid-year steel strike and by improving metalworking operations may establish a six months' production record in the first half, "Steel" magazine said on Feb. 23.

The metalworking weekly said mills will have to operate at an average of 90% of capacity from March through June to break the six-month record of 62,607,172 net tons established in strike-plagued 1956.

Last week, mills boosted operations 2.5 points to 86% of capacity and turned out about 2,440,000 net tons of steel for ingots and castings. That's only 85,000 tons less than they produced in the record week of Dec. 17, 1956.

Order backlogs are ballooning, "Steel" said. In the last few weeks, mills have been flooded with orders. One large eastern producer attributes 35% of its current bookings to strike fever. Orders are accumulating faster than they can be processed. Since Jan. 1, Jones & Laughlin Steel Corp.'s backlog has doubled. It's the largest in the company's history.

Some steel producers are becoming somewhat concerned over the frantic rush of consumers to place orders, the magazine said. They suspect that consumers may be overdoing it.

Makers of flat-rolled products are running their mills at capacity and have little tonnage open for the first half. February bookings of hot-rolled bar producers are running 25% to 30% ahead of last month's. And steelmakers report that oil companies are going "hog wild" in their efforts to replenish low inventories of tubing and casing.

Signposts indicate that the recovery from the recession of 1958 is nearly complete, the metalworking weekly said. Twenty-one of the 30 barometers of business important to metalworking have turned up from their low points. And "Steel's" industrial production index is approaching an all-time high.

Abandonment by the government last week of its "open door" policy on copper shipments to the Soviet bloc may be a prelude to a new look in trade relations with Russia, "Steel" said. The move might be the first in a complete re-evaluation of our trade policies with the Soviets.

"Steel's" price composite on the prime grade of steelmaking scrap held unchanged at $42.50 a gross ton for the second straight week.

Steel Production Approaching 100% of Current Capacity

The American Iron and Steel Institute announced that the operating rate of steel companies will average *154.4% of steel capacity for the week beginning Feb. 23, equivalent to 2,481,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of 152.5% of capacity and 2,449,000 tons a week ago.

Actual output for Feb. 16 week was equal to 86.5% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for the week of Feb. 16 is 87.6%.

For the Feb. 23 week a month ago the rate was *135.6% and production 2,178,000 tons. A year ago the actual weekly production was placed at 1,475,000 tons, or *91.8%.

*Index of production is based on average weekly production for 1947-1949.

Car Output Markedly Above 1958 Pace

Passenger car production in the U. S. this week was scheduled at its highest rate in a month, "Ward's Automotive Reports" said on Feb. 20.

Planned by the industry, according to the statistical publication, were 121,859 automobiles, 5.5% more than last week (115,859) and best total since Jan. 19-24 (126,843).

Truck output was estimated at 25,012 units compared to 24,907 last week. It was the fifth week in a row that trucks were programmed at approximately 25,000 units.

"Ward's" said that at the end of this week, car production for calendar year 1959 will total an estimated 897,399 units. The 1,000,000th automobile of the year will be turned out on Feb. 26, according to present schedules. This is 14 days ahead of last year's pace, when the 1,000,000 point was reached March 12.

Every corporation joined in this week's car production increase, "Ward's" said. Chrysler Corp., building up its volume following a month-long check of assembly operations caused by a glass shortgage, programmed a 30% boost over last week. American Motors, returning to six-day output after being limited to five days the preceding two weeks due to low glass supplies, looked for a 21% improvement.

Planning smaller increases were Ford Motor Co., (6%), General Motors (2%) and Studebaker-Packard (1%). Studebaker-Packard however, is building cars at its best level in three years.

"Ward's" said that February production totals will approximate 480,000 cars and 99,500 trucks compared to 392,112 cars and 72,891 trucks in the same month last year. Failure of the industry to attain the 500,000 mark in car output this month was attributed to Chrysler's limited activity.

Electric Output Exceeds That of Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 21, was estimated at 13,259,000,000 kwh., according to the Edison Electric Institute. Output the past week was above the level of the preceding week.

For the week ended Feb. 21, output increased by 100,000,000 kwh. above that of the previous week, and showed a gain of 921,000,000 kwh. above that of the comparable 1958 week.

Carloadings Up Slightly Over Previous Week

Loadings of revenue freight for the week ended Feb. 14, totaled 567,134 cars, the Association of American Railroads announced, an increase of 1,737 cars, or 0.3%, above the preceding week. The total for the latest week reflected an increase of 33,948 cars or 6.4% above the corresponding week in 1958, but a decrease of 108,832 cars or 16.1% below the corresponding week in 1957.

Lumber Shipments Show 0.6% Gain

Lumber shipments of 480 mills reporting to the National Lumber Trade Baromter were 0.6% above production for the week ended Feb. 14. In the same week new orders of these mills were 6.2% above production. Unfilled orders of reporting mills amounted to 41% of stocks. For reporting softwood mills, unfilled orders were equivalent to 20 day's production at the current rate, and gross stocks were equivalent to 46 days' production.

For the year-to-date, shipments of reporting identical mills were 0.2% below production; new orders were 5.8% above production.

For the week ended Feb. 14, as compared with the preceding week, production of reporting mills was 3.3% below; shipments were 2.4% below; new orders were 0.7% below. Compared with the corresponding week in 1958, production of reporting mills was 2.0% below; shipments were 1.9% above; and new orders were 11.7% above.

Business Failures Continue Uptrend

Commercial and industrial failures continued up to 310 in the week ended Feb. 19 from 292 in the preceding week, reported Dun & Bradstreet, Inc. However, casualties were slightly lower than a year ago when 317 occurred, although they edged above the 300 in 1957. Some 16% more concerns failed than in the comparable week of prewar 1939 when they totaled 267.

Failures involving liabilities of $5,000 or more climbed to 268 from 249 in the previous week but remained below the 270 of this size last year. On the other hand, a dip appeared among small casualties, those with liabilities under $5,000, which were down to 42 from 43 a week ago and 47 in 1958. Liabilities exceeded $100,000 for 30 of the week's failures as against 28 in the preceding week.

All industry and trade groups suffered heavier tolls during the week except retailing where casualties declined to 151 from 158. Slight increases raised manufacturing failures to 54 from 50, wholesaling to 33 from 24, construction to 41 from 38, and commercial service to 31 from 22. More businesses succumbed than a year ago in manufacturing, construction, and services, with the most noticeable upturn in the service group. But the toll among retailers fell considerably below their 1958 level.

Geographically, the week-to-week rise occurred mostly in the Middle Atlantic States, up to 107 from 95, in the South Atlantic, up to 33 from 31, in the West South Central, up to 17 from 11, and in the Pacific, up to 67 from 56. Three regions reported declines from the previous week. Business mortality dipped below 1958 levels in five regions, held even in two, while moderate increases from last year prevailed in the Middle Atlantic and East North Central States.

January Business Failures at Eight-Month High

Rising seasonally in January, business failures totalled 1,273, an eight-month high. Despite this 18% increase from December, casualties remained slightly below January last year when 1,279 occurred. The rate of failure stood at 51 per 10,000 listed enterprises as against 53 in the comparable month a year ago.

Dollar liabilities surged up more strongly than the number of failures, reaching $73.6 million. This volume bulked 29% larger than December and 14% above the previous January.

Retailers were largely responsible for the month-to-month upturn; 25% more businesses succumbed in this group than in December as compared with increases ranging from 7% in construction to 16% in manufacturing. Tolls climbed considerably among retailers of general merchandise, apparel, furniture and furnishings.

However, neither manufacturing or retailing casualties were as heavy as in January 1958. Marked declines, in fact, were noted in the automotive and building materials trades, and the iron and steel industry. Contrasting increases from last year's level occurred in wholesaling, particularly in the machinery line; in construction, primarily among those engaged in painting, excavating, and road contracting; and in commerical services, where transportation concerns boosted the total.

January New Business Incorporations Set New Record

Another new record was set in January in the number of new business incorporations, according to Dun & Bradstreet, Inc. At 18,773, the total exceeded the previous high of 16,458 set in December 1958 by 14.1%. The level was up a sharp 43.5% over the 13,080 of the similar month a year ago.

New stock corporations rose from the preceding month in seven of the nine regions, with the declines occurring in New England and the South Atlantic States. All of the regions reported noticeable year-to-year gains.

Wholesale Food Price Index at 1959 Low

The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., declined fractionally for the fourth consecutive week, and reached the low point so far this year set on Jan. 13. On Feb. 17 the index stood at $6.16, down 0.2% from the $6.17 of a week earlier and 6.5% below the $6.59 of the comparable date a year ago.

Rye, hams, and cocoa were higher in price this week. Down were bellies, lard, sugar, milk, coffee, cottonseed oil, eggs, 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.

Wholesale Commodity Price Index Declines

Reflecting lower prices on rubber, some grains, and livestock, the general commodity price level fell somewhat in the latest week. On Feb. 20 the Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., stood at 275.73, compared with 276.49 on Monday, Feb. 16 and 280.26 on the comparable date a year ago.

Although most grain prices picked up at the end of the week, they finished fractionally lower than those of the prior week. Domestic trading in wheat was sluggish throughout most of the week, and prices slipped somewhat. Export buying improved at the end of the period, with sizable purchases by Yugoslavia and Japan. There was a slight reduction in wheat supplies at the end of the week.

Light offerings and sluggish trading resulted in a slight decrease in corn prices. Turnover in rye and oats lagged and prices weakened. Declines in soybeans prices reflected decreases in the oil and meal markets and lower support rates.

Purchases of flour moved up moderately during the week in the domestic market, and prices were slightly higher than a week earlier, export buying of flour lagged. Both domestic and export trading in rice expanded again and prices were sustained at the prior week's levels. The most sizable purchases in the export market were made by Pakistan and Indonesia.

There was a moderate decline in sugar transactions this week, and prices were down fractionally. Although coffee trading was close to the prior week, prices fell somewhat. Cocoa volume rose noticeably at the beginning of the week, but tapered off at the end of the period; prices were up slightly from the preceding week.

Wholesalers in Chicago reported a moderate decline in hog receipts and trading slackened; hog prices dipped slightly. Sales of cattle were scattered and the salable supply was limited. Steer prices moved down somewhat from the preceding week. Both supplies and trading in lambs were lower during the week, but prices were steady. Following the dip in hog prices, lard prices fell below those of a week earlier.

Prices on the New York Cotton Exchange dipped at the beginning of the week, but regained their losses at the end of the period, when trading revived. According to the Census Bureau, domestic consumption of cotton in the four weeks ended Jan. 31 came to 687,360 bales, compared with 727,410 in the preceding five weeks and 797,774 in a five-week period to Feb. 1 a year ago. United States exports for the season to Feb. 17 were estimated at 1,746,303 bales, as against 3,135,071 in the comparable period last season.

Promotions Help Retail Trade Rise Over Year Ago

Numerous Lincoln's Birthday and Valentine's Day sales promotions helped total retail trade rise slightly in the week ended Feb. 18, over that of both the prior week and the similar 1958 period. While year-to-year gains occurred in sales of men's and women's apparel, volume in major appliances, linens, and draperies fell moderately. There were substantial increases in purchases of new passenger cars during the latest week, and gains over last year were widened, according to scattered reports.

The total dollar volume of retail trade in the Feb. 18 week was unchanged to 4% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: East South Central +3 to +7; West North Central +2 to +6; East North Central and South Atlantic +1 to +5; Pacific Coast 0 to +4; Middle Atlantic —1 to +3; Mountain —2 to +2; West South Central —4 to 0; New England —5 to —1.

Best-sellers in women's apparel were winter dresses, suits, sportswear, and coats. There was a marked rise in interest in Spring millinery and fashion accessories, and volume was up slightly from a year ago. Total sales of men's apparel advanced slightly from last year with interest centering on furnishings, especially neckwear, white dress shirts, and socks. The call for boys' merchandise moved up appreciably from both the prior week and last year, with the most noticeable gains in sports coats and slacks.

Over-all volume in home furnishings dipped below that of a year ago. Despite a moderate rise in television sets, total appliance sales were down appreciably. Consumer buying of linens, draperies, and floor coverings slackened during the week and year-to-year declines were reported. Increased buying of occasional tables and chairs, case goods, and dinette sets held furniture sales close to the similar 1958 week.

Housewives were again primarily interested in Lenten food specialties, especially canned and fresh fish and dairy products. There was a slight decline from the prior week in fresh meat, fresh produce, 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 Feb. 14, advanced 8% above the like period last year. In the preceding week, for Feb. 7 an increase of 9% was recorded. For the four ended Feb. 14 a gain of 8% was registered.

According to the Federal Reserve System department store sales in New York City for the week ended Feb. 14 showed a 1% increase from that of the like period last year. In the preceding week, Feb. 7, an increase of 6% was reported. For the four weeks ended Feb. 14 an increase of 3% was noted over the volume in the corresponding period in 1958.

Kuhn, Loeb Group Offers Jamaica Bonds

The first offering of bonds of the Government of Jamaica payable in United States dollars will be made today (Feb. 26), with two issues aggregating $12,500,000. Kuhn, Loeb & Co. will offer $2,500,000 principal amount of 5½% serial external loan bonds due semi-annually Sept. 1, 1960-Mar. 1, 1964, inclusive, and a group managed by Kuhn, Loeb & Co. will offer $10,000,000 of 5¾% sinking fund external loan bonds due March 1, 1974.

The sinking fund bonds are priced at 95½% and accrued interest, to yield 6.21%. The serial bonds are priced to yield an average of 5.80%.

A British Colony with wide political autonomy, Jamaica holds the major part of its exchange reserves in the form of sterling balances in London. It is the largest member of the ten-member Federation of the West Indies established early in 1958.

The sinking fund bonds will not be redeemable prior to March 1, 1969, except through operation of the sinking fund. The sinking fund, which commences Sept. 1, 1960, will retire 100% of the bonds by maturity. On and after March 1, 1969, the sinking fund bonds will also be optionally redeemable.

Net proceeds from the sale of the bonds will be applied by Jamaica to meet a portion of contemplated expenditures for economic and social development, including agricultural development, general development—such as airport, drainage, and port and harbor development — housing, water supplies and municipal works.

Standard Mfg. Corp. Class A Stock Offered

Plymouth Securities Corp., of New York City, is publicly offering 150,000 shares of class A stock (par 10 cents) of Standard Manufacturing Corp. at $2 per share on a best efforts basis.

The net proceeds from this offering will be used to pay loans from Iroquois Finance Co.; for machinery, tools and dies; inventory; and for general corporate purposes.

The corporation was formed in Illinois on June 18, 1949. Its address is 1100 South Central Park Ave., Chicago 24, Ill., where it maintains executive offices and plant facilities. The corporation is engaged in the design, manufacture, fabrication and sale of indoor and outdoor electrified, plastic advertising signs and other plastic items.

Hayden, Stone Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Harold S. Davis is now with Hayden, Stone & Co., 477 Congress Street.

With L. A. Caunter

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Frank de Rose has been added to the staff of L. A. Caunter & Co., Park Building.

Now With Murch & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Raymond W. Rooney, Jr. has become affiliated with Murch & Co., Inc., Hanna Building, members of the New York Stock Exchange. He was formerly with Eastman Dillon, Union Securities & Co.

Philip S. Adams Opens

(Special to THE FINANCIAL CHRONICLE)

GRAYS LAKE, Ill.—Philip S. Adams is engaging in a securities business from offices at 125 Cecelia Street. He was previously with Norris & Kenly.

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.

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 being 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. Statement effective Feb. 12.

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.

★ Aloe (A. S.) Co. (3/25)
Feb. 20 filed $2,500,000 of convertible subordinate debentures due March 15, 1974. **Price** — To be supplied by amendment. **Proceeds**—For working capital and other corporate purposes. **Underwriter** — Goldman, Sachs & Co., 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 Fidelity Life Insurance Co., Pensacola, Fla. (3/10-16)
Feb. 18 filed 280,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital for expansion purposes. **Underwriter**—Alex. Brown & Sons, and R. S. Dickson & Co., Inc.

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-Marietta Co.
Feb. 12 filed 3,500,000 shares of common stock (par $2) and 67,310 shares of 5% cumulative preferred stock (par $100) to be used in connection with the acquisition of stocks and assets of other companies, of which 677,900 shares of common stock and 2,500 shares of preferred stock have already been issued.

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.
Jan. 29 filed 486,325 shares of common stock (par $25) being 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**—$57.50 per share. **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) being offered for subscription by stockholders of record Feb. 14, 1959, at rate of 9/16ths of a share for each share held; rights to expire on March 10. **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 in two weeks.

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., 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.
Jan. 22 filed 102,533 shares of common stock, being offered for subscription by stockholders at the rate of one new share for each six shares held on Feb. 18, 1959; rights to expire on March 5. **Price**—$16 per share. **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. (2/27)
Nov. 20 (letter of notification) $240,000 of 6% subordinated convertible debentures due Jan. 1, 1969 and 60,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 25 shares of stock. **Price**—$125 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. (2/27)
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**—$500 per unit, plus accrued interest on debentures. **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 [illegible] 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.

★ Bullock Fund, Inc., New York
Feb. 24 filed (by amendment) 400,000 additional shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Butler Brothers, Chicago, Ill.
Feb. 17 filed 30,000 shares of common stock to be offered to certain Ben Franklin Franchise Holders. Company provides services and merchandise to Ben Franklin Stores. **Underwriters**—None.

● Calvert Drilling, Inc.
Jan. 30 filed 100,012 shares of common stock (par $1), being offered for subscription by common stockholders at rate of one new share for each five shares held on Feb. 24; rights to expire on March 10. **Price**—$13 per share. **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.
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. (3/2)
Nov. 10 (letter of notification) 199,733 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For development, drilling and other general corporate purposes. **Underwriter**—Berry & Co., New York. Statement effective Feb. 25.

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.
Jan. 21 filed 145,940 shares of common stock, being 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**—$32 per share. **Proceeds**—To be used for construction and for payment of bank loans. **Underwriter**—Stone & Webster Securities Corp., New York.

Century Food Markets Co.
Jan. 9 filed 118,112 shares of common stock (par $1) being offered for subscription by holders of common stock at the rate of one new share for each five shares held as of Feb. 13, 1959; rights to expire on March 2, 1959. **Price**—$5 per share **Proceeds**—To discharge bank loan and to replenish working capital. **Underwriter**—Janney, Dulles & Battles, Inc., Philadelphia, Pa.

★ Century Shares Trust, Boston, Mass.
Feb. 13 filed (by amendment) an additional 400,000 Century shares (par $1). **Price**—At market. **Proceeds**—For investment.

● 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**—Postponed indefinitely.

● **Cleveland Electric Illuminating Co. (3/24)**
Feb. 18 filed $25,000,000 of first mortgage bonds, due 1984. **Proceeds** — Payment of bank loans and general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: First Boston Corp.; Dillon, Read & Co., Inc.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; and White, Weld & Co. **Bids**—Expected on March 24.

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.

★ **Coleman Realty Co., Inc., Exeter, N. H.**
Feb. 6 (letter of notification) 500 shares of common stock (no par). **Price** — $10 per share. **Proceeds** — To complete extensive renovations to an office building owned by company and the acquisition of additional pieces of real estate. **Underwriter**—None.

● **Colorado Interstate Gas Co. (3/11)**
Feb. 17 filed $33,000,000 first mortgage pipeline bonds, due 1979, and 120,000 shares of cumulative preferred stock ($100 par). **Price**—To be supplied by amendment. **Proceeds** — Repay $40,000,000 bank loans; balance for general funds. **Underwriter**—Dillon, Read & Co., Inc., and Eastman Dillon, Union Securities & Co.

● **Combustion Engineering, Inc.**
Dec. 19 filed 64,011 shares of capital stock to be offered in exchange for 81,002 shares of the outstanding common stock and for 2,131 shares of the outstanding $100 par preferred stock of General Nuclear Engineering Corp., at the rate of seven shares and 3.4302 shares of Combustion Engineering stock for each 10 shares of common stock and each share of preferred stock, respectively, of General Nuclear Engineering (of Dunedin, Fla.). Statement effective Feb. 11.

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.

★ **Consolidated Credit Corp.**
Feb. 13 (letter of notification) 30,000 shares of class B common stock (par $1) to be offered to holders of warrants originally issued with $1.40 sinking fund series A cumulative preferred stock. **Price**—$2.50 if exercised prior to March 1, 1960; $3 if exercised after Feb. 28, 1960 and prior to March 1, 1961; $3.50 if exercised after Feb. 28, 1961 and prior to March 1, 1962. **Proceeds**—For regular operation of business. **Office**—316 Johnston Building, Charlotte, N. C. **Underwriter**—None.

★ **Consolidated Development Corp.**
Feb. 9 (letter of notification) 20,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working and/or investment capital and selling expenses. **Office**—46 W. Washington Lane, Philadelphia 44, Pa. **Underwriter**—None.

★ **Consumers' Cooperative Services, Inc.**
Feb. 19 (letter of notification) 3,840 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For general corporate purposes. **Office**—38 Park Row, New York, 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.

★ **Diamond Oil Corp., Reno, Nev.**
Feb. 12 (letter of notification) 100,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To develop oil properties. **Office**—139 North Virginia St., Reno, Nev. **Underwriter**—None.

Diversified Inc., Amarillo, Texas
Jan. 6 filed 300,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—For acquisition of undeveloped real estate, for organization or acquisition of consumer finance business, and balance to be used for working capital. **Underwriter** — Investment Service Co., Denver, Colo., on a best efforts basis.

★ **Dividend Shares, Inc., New York**
Feb. 24 filed (by amendment) 8,000,000 additional shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Drug Fair-Community Drug Co., Inc. (3/2-6)
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.

★ **Ducommun Metals & Supply Co. (3/10)**
Feb. 16 filed 150,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — For repayment of outstanding indebtedness; for expansion program and purchase of additional facilities and equipment; and to finance an expected increase in inventories and receivables. **Office**—4890 South Alameda St., Vernon, Calif. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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 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.

★ **Electronic Assistance Corp.**
Feb. 18 (letter of notification) 100,000 shares of common stock (par 10 cents) of which 5,000 have been reserved for sale to two directors, at $2.70 per share. The offering of such 5,000 shares expires 24 hours after first being extended. If not accepted such shares will then be offered to the public. **Price**—$3 per share. **Proceeds**—For research and development of ultrasonic equipment and for working capital. **Office**—20 Bridge Ave., Red Bank, N. J. **Underwriters**—Amos Treat & Co., Inc., New York, and Bruno-Lenchner, Inc., Pittsburgh, Pa.

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NEW ISSUE CALENDAR

February 26 (Thursday)

American Natural Gas Co. ________ Common
(Offering to stockholders—bids 11 a.m. EST) 486,325 shares

Harman-Kardon, Inc. ________ Common
(Milton D. Blauner & Co., Inc.) $600,000

February 27 (Friday)

Bargain Centers, Inc. ________ Debentures
(Securities Trading Corp.) $300,000

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

Piedmont Natural Gas Co. ________ Common
(Offering to stockholders—underwritten by White, Weld & Co.) 56,301 shares

United States Pool Corp. ________ Common
(Ross, Lyon & Co., Inc.) $300,000

March 2 (Monday)

Carraco Oil Co. ________ Common
(Berry & Go.) $299,600

Drug Fair-Community Drug Co., Inc. ________ Debentures
(Auchincloss, Parker & Redpath) $750,000

Ryder System, Inc. ________ Common
(Blyth & Co., Inc.) 150,000 shares

March 3 (Tuesday)

Pacific Power & Light Co. ________ Common
(Offering to stockholders—bids 8 a.m. PST) 207,852 shares

TV Junior Publications, Inc. ________ Com. & Warrants
(Charles Plohn & Co.) $375,000

March 4 (Wednesday)

Eastern Utilities Associates ________ Common
(Offering to stockholders—bids 11 a.m. EST) 96,765 shares

Glass-Tite Industries, Inc. ________ Common
(Stanley Heller & Co.) $330,000

March 5 (Thursday)

Standard Security Life Insurance Co. of N. Y. ________ Com.
(Ira Haupt & Co. and Savard & Hart) $1,500,000

Western Casualty & Surety Co. ________ Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co. and Prescott, Wright, Snider Co.) 100,000 shares

March 6 (Friday)

Israel (The State of) ________ Bonds
(Development Corp. for Israel) $300,000,000

Research Specialties Co. ________ Common
(Myron A. Lomasney & Co.) $300,000

Pioneer Hydrotex Industries, Inc. ________ Debentures
(Cruttenden, Podesta & Co. and Schneider, Bernet & Hickman) $300,000

March 9 (Monday)

Miami Window Corp. ________ Debentures
(Cruttenden, Podesta & Co. and Clayton Securities Corp.) $2,500,000

March 10 (Tuesday)

American Fidelity Life Insurance Co. ________ Common
(Alex. Brown & Sons, and R. S. Dickson & Co., Inc.) 280,000 shares

Ducommun Metals & Supply Co. ________ Common
(Blyth & Co., Inc.) 150,000 shares

Itek Corporation ________ Common
(Offering to stockholders—underwritten by Paine, Webber, Jackson & Curtis) 164,842 shares

Northern Indiana Public Service Co. ________ Bonds
(Bids 11:30 a.m. EST) $25,000,000

White Stores, Inc. ________ Debentures
(Merrill Lynch, Pierce Fenner & Smith, Inc.) $5,000,000

March 11 (Wednesday)

Colorado Interstate Gas Co. ________ Bonds
(Dillon, Read & Co., Inc. and Eastman Dillon, Union Securities & Co.) $33,000,000

Colorado Interstate Gas Co. ________ Preferred
(Dillon, Read & Co., Inc. and Eastman Dillon, Union Securities & Co.) $12,000,000

Equitable Gas Co. ________ Preferred
(First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith, Inc.; and White, Weld & Co.) $6,000,000

KLM Royal Dutch Airlines ________ Debentures
(Smith, Barney & Co. and The First Boston Corp.) $17,000,000

March 13 (Friday)

Investors Research Fund, Inc. ________ Common
(Bache & Co.) $5,891,280

March 16 (Monday)

General Telephone Co. of the Southwest ________ Preferred
(Paine, Webber, Jackson & Curtis and Mitchum, Jones & Templeton) $5,000,000

Simplex Wire & Cable Co. ________ Common
(Paine, Webber, Jackson & Curtis) 203,250 shares

Standard Sign & Signal Co. ________ Common
(Sano & Co.) $300,000

White Stag Manufacturing Co. ________ Common
(Francis I. du Pont & Co.) 127,500 shares

March 18 (Wednesday)

Thorncliffe Park Ltd. ________ Debentures & Common
(Bache & Co.) 4,000 units

March 24 (Tuesday)

Cleveland Electric Illuminating Co. ________ Bonds
(Bids to be invited) $25,000,000

March 25 (Wednesday)

Aloe (A. S.) Co. ________ Debentures
(Goldman, Sachs & Co.) $2,500,000

Ohio Edison Co. ________ Bonds
(Bids to be invited) $30,000,000

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 11 a.m. EST) $16,000,000

April 1 (Wednesday)

Columbia Gas System, Inc. ________ Common
(Offering to stockholders—bids 11 a.m. EST) 1,799,057 shares

April 2 (Thursday)

Gulf Power Co. ________ Bonds
(Bids to be invited) $7,000,000

April 7 (Tuesday)

Pittsburgh & Lake Erie RR. ________ Equip. Tr. Ctfs.
(Bids to be invited) $2,475,000

April 14 (Tuesday)

Louisiana Power & Light Co. ________ Preferred
(Bids to be invited) $7,500,000

April 15 (Wednesday)

Wisconsin Power & Light Co. ________ Bonds
(Bids to be invited) $14,000,000

April 23 (Thursday)

Brockton Edison Co. ________ Preferred
(Bids to be invited) $2,000,000

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)

Public Service Electric & Gas Co. ________ Debentures
(Bids to be invited) $30,000,000 to $40,000,000

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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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.

● **Equitable Gas Co., Pittsburgh, Pa. (3/11)**
Feb. 18 filed 60,000 shares of convertible preferred stock ($100 par). **Price**—To be supplied by amendment. **Proceeds**—Repayment of bank loans. **Underwriter** — First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith, Inc.; and White, Weld & Co.

Erie Forge & Steel Corp.
Jan. 9 filed 238,025 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. 11 (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.

★ **Evans Grocery Co., Gallipolis, Ohio**
Feb. 9 (letter of notification) 30,027 shares of common stock (par $3.33⅓). **Price**—$8 per share. **Proceeds**—To selling stockholders. **Underwriter**—Westheimer & Co., Cincinnati, Ohio.

★ **Evans Products Co.**
Feb. 13 filed 117,000 shares of common capital stock, representing the number of such shares that may be issued on the exercise of stock options that have been granted or may be granted in the future under the company's Employees' Stock Option Plan.

★ **Fairmount Finance Corp.**
Feb. 12 (letter of notification) 10,000 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—For making loans. **Office**—5715 Sheriff Road, N. E., Fairmount Heights, Md. **Underwriter**—None.

Federated Corp. of Delaware
Dec. 29 filed $918,000 of 6% convertible subordinated debentures due 1968. The company proposes to offer $210,000 of the debentures to purchase the capital stock of Consumers Time Credit, Inc., a New York company; $442,000 of the debentures in exchange for Consumers debentures; and $226,000 of the debentures in exchange for the outstanding 12% debentures of three subsidiaries of Federated. **Office**—1 South Main Street, Port Chester, N. Y. **Underwriter**—None.

Federated Finance Co.
Nov. 17 (letter of notification) $300,000 of 10-year 6% senior subordinated debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For working capital, to make loans, etc. **Office**—2104 "O" St., Lincoln, Neb. **Underwriters** — J. Cliff Rahel & Co. and Eugene C. Dinsmore, Omaha, Neb.

★ **Fidelity Capital Fund, Inc.**
Feb. 18 filed (by amendment) an additional 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Boston, Mass.

Finance For Industry, Inc.
Dec. 16 filed 200,000 shares of class A common stock. **Price**—At par ($1.50 per share). **Proceeds**—For working capital. **Office**—508 Ainsley Bldg., Miami, Fla. **Underwriter** — R. F. Campeau Co., Penobscot Bldg., Detroit, Mich.

★ **First Acceptance Corp.**
Feb. 13 (letter of notification) 500 shares of 5% preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—320 Northwestern National Bank Building, Minneapolis, Minn. **Underwriter**—None.

First Virginia Corp.
Feb. 12 filed 1,154,730 shares of class B common stock (par $1), to be offered in exchange for 38,491 shares of common stock of Old Dominion Bank at the rate of 30 shares of First Virginia class B stock for each one share of Old Dominion common stock.

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.

★ **Fordham Products Corp., Phoenix, Ariz.**
Feb. 16 (letter of notification) 27,500 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To acquire assets of E. E. Fordham Mfg. Co. and Tip Top Coffee Co. **Office**— 2118 East Jefferson St., Phoenix, Ariz. **Underwriter**—None.

★ **Foster-Forbes Glass Co., Marion, Ind.**
Feb. 25 filed 30,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter** — Raffensperger, Hughes & Co., Inc., Indianapolis, Ind.

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. **Price**—$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. No general public offer planned.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1) Proceeds—To the Attorney General of the United States Underwriter—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed

★ **General Merchandising Corp., Memphis, Tenn.**
Feb. 18 filed 250,000 shares of class "A" common stock (par one cent). **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — Union Securities Investment Co., Memphis, Tenn.

★ **General Telephone Co. of The Southwest (3/16-20)**
Feb. 19 filed 250,000 shares of cumulative preferred stock. **Price**—At par ($20 per share). **Proceeds** — To repay bank loans. **Office**—2470 West Princeton St., San Angelo, Tex. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York; and Mitchum, Jones and Templeton, Los Angeles, Calif.

Glass-Tite Industries, Inc. (3/4)
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 Spectacle St., Cranston, R. I. **Underwriter**—Stanley Heller & Co., New York.

★ **Government Employees Insurance Co.**
Feb. 4 (letter of notification) an estimated 2,000 shares of common stock (par $4) to be sold in connection with stock dividend (2%) payable Feb. 26, 1959. **Price**—At the market. **Proceeds**—To go to holders of fractional shares. **Office** — 1021 14th Street, N. W., Washington, D. C. **Underwriter**—None.

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. **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 pending Supreme Court decision on variable annuities.

★ **Greenbrier Acres, Inc., Silver Spring, Md.**
Feb. 11 (letter of notification) 750 shares of preferred stock (par $100) and 750 shares of common stock (par $1). **Price**—At par. **Proceeds**—For working capital. **Address**—c/o Mrs. M. B. Jackson, Sec. and Treas., 11003 Childs St., Silver Spring, Md. **Underwriter**—None.

Growth Fund of America, Inc.
Feb. 4 filed 250,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For investment. **Office** — 1825 Connecticut Avenue, Washington, D. C. **Investment Advisor** — Investment Advisory Service, Washington, D. C. **Underwriter**—Investment Management Associates, Inc., Washington, D. C.

★ **Hamlin Exploration & Mining Co.**
Feb. 16 (letter of notification) 5,000,000 shares of fully paid, non-assessable common stock (par one cent). **Price**—Two cents per share. **Proceeds**—For mining expenses. **Office**—1012½ E. Windsor Road, Glendale 5, Calif. **Underwriter**—None.

● **Harman-Kardon, Inc. (2/26-27)**
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. **Offering**—Expected next week.

★ **Heritage Fund, Inc., New York**
Feb. 18 filed (by amendment) an additional 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—New York, 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.

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.

★ **Home Telephone & Telegraph Co. of Virginia**
Feb. 19 filed 92,160 shares of capital stock to be offered for subscription by stockholders of record Feb. 17, 1959, on the basis of one new share for each four shares held; rights to expire on April 3. **Price**—At par ($5 per share). **Proceeds**—To repay short-term bank loans. **Underwriter**—None.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). Price—$1 per share. Proceeds—To develop and operate graphite and mica properties in Alabama. Underwriters—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis. Statement effective Nov. 18.

★ **Inland Steel Co.**
Feb. 20 filed 174,000 shares of capital stock, representing the numbers of shares initially issuable upon the exercise of stock options under the company's Executive Stock Option Plan.

International Bank, Washington, D. C.
Dec. 29 filed $5,000,000 of notes (series B, $500,000, two-year, 3% per unit; series C, $1,000,000, four-year 4% per unit; and series D, $3,500,000, 6-year, 5% per unit). **Price**—100% of principal amount. **Proceeds** — For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

Investment Corp. of Florida
Oct. 9 (letter of notification) 55,555 shares of common stock (par two cents). **Price**—$4.50 per share. **Proceeds**—For capital account and paid-in surplus. **Office**—Atlantic Federal Building, 1750 E. Sunrise Boulevard, Ft. Lauderdale, Fla. **Underwriter**—None.

★ **Investors Planning Corp. of America**
Feb. 18 filed (by amendment) the following additional securities: $75,000,000 of Systematic Investment Plans and Systematic Investment Plans with insurance, and $2,000,000 of Single Payment Investment Plans. **Price**—At market. **Proceeds** — For investment. **Office** — New York, N. Y.

● **Investors Research Fund, Inc. (3/13)**
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.

★ **Investors Variable Payment Fund, Inc.**
Feb. 18 filed (by amendment) an additional 5,000,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Minneapolis, Minn.

Israel (The State of) (3/6)
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. Statement effective Feb. 5.

● **Itek Corp. (3/10)**
Feb. 12 filed 178,842 shares of common stock (par $1), of which a total of 164,842 shares will be offered for subscription by stockholders at the rate of one new share for each four shares held on or about March 9, 1959; rights to expire on March 24. The remaining 14,000 shares will be offered to eligible employees. **Price**—To be supplied by amendment. **Proceeds**—To be used for acquisition of Photostat Corp.: to purchase additional laboratory, production and other equipment; towards construction of a new building on a plant site in Lexington, Mass.; and the balance for general corporate purposes. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

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.

J. E. Plastics Manufacturing Corp.
Feb. 16 filed 120,000 shares of common stock, of which 30,000 shares are issuable upon exercise of warrants, at $2.50 per share, from Nov. 1, 1959 to Nov. 1, 1961. The remaining 90,000 shares will be sold publicly; 50,000 shares on behalf of the company and 40,000 shares by selling stockholders. **Price** — At current market when offering of 90,000 shares is made. **Office**—400 Nepperhan Ave., Yonkers, New York. **Underwriter**—None.

★ Keystone Custodian Funds, Inc.
Feb. 16 filed (by amendment) an additional 1,000,000 shares of Keystone Custodian Fund Certificates of Participation, series K-2. **Price**—At market. **Proceeds**—For investment. **Office**—Boston, Mass.

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.

★ KLM Royal Dutch Airlines (3/11)
Feb. 19 filed $17,000,000 of convertible subordinated debentures due 1979. **Price** — To be supplied by amendment. **Proceeds**—To finance the acquisition of additional jet aircraft and to provide for future working capital requirements. **Underwriters**—Smith, Barney & Co. and The First Boston Corp., both of New York.

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.

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.

Lorain Telephone Co.
Feb. 11 (letter of notification) 1,562 shares of common stock (no par) to be offered for subscription by stockholders on a pro rata basis at the rate of one new share for approximately each 75.1120 shares held at the close of business on Feb. 2, 1959. **Price**—$32 per share. **Proceeds** — To reimburse the treasury. **Office** — 203 W. Ninth St., Lorain, Ohio. **Underwriter**—None.

★ Lucky Lager Brewing Co.
Feb. 3 (letter of notification) voting trust certificates for 6,705 shares of capital stock (par $5) at the approximate value of $250,000 aggregate amount. **Proceeds**—For the benefit of the voting trust. **Office**—2601 Newhall St., San Francisco 19, Calif. **Underwriter**—None. **Voting Trustees**—Elmore Meredith, Herbert Anscomb, Eugene S. Selvage and Frederick W. Ackerman.

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.

★ Maryland Credit Finance Corp.
Feb. 9 (letter of notification) 500 shares of common stock (par $15) to be offered to the Philadelphia Life Insurance Co. to satisfy warrants issued September, 1955 exercisable any time to Sept. 30, 1961. **Price**—$25 per share. **Proceeds**—For working capital. **Office**—National Bank Bldg., Easton, Md. **Underwriter**—None.

★ Miami Window Corp., Hialeah, Fla. (3/9-13)
Feb. 25 filed $3,500,000 of 6½% debentures due 1974 (with stock purchase warrants attached), and 150,000 shares of 70-cent convertible preferred stock (par $8). **Price**—Of debentures, at par; and of preferred stock, $10 per share. **Proceeds**—To pay accounts payable and for general corporate purposes. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill.; and Clayton Securities Corp., Boston, Mass.

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.

Millsap Oil & Gas Co.
Dec. 23 filed 602,786 shares of common stock. **Price**—$1 per share. **Proceeds** — For additional working capital. **Office**—Siloam Springs, Ark. **Underwriter**—None.

Mississippi Chemical Corp., Yazoo City, Miss.
Dec. 24 filed 200,000 shares of common stock (par $5) and 8,000 shares of special common stock (par $75). **Price**—For common stock, $8.75 per share; for special common stock, $131.25 per share. **Proceeds**—For construction program, to purchase shares of Coastal Chemical Corp. (a subsidiary), and the balance will be added to surplus. **Underwriter**—None.

★ Monongahela Power Co. (3/31)
Feb. 24 filed $16,000,000 of first mortgage bonds due April 1, 1984. **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 up to 11 a.m. (EST) on March 31 at West Penn Power Co.'s office, 50 Broad St., New York, N. Y.

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.

★ Morrison-Knudsen Co., Inc.
Feb. 6 (letter of notification) 8,571 shares of common stock (par $10) to be offered to eligible employees. **Price**—At the market, less $2 between Feb. 13, 1959 and Dec. 10, 1959. **Proceeds**—For the benefit of employees. **Office**—319 Broadway, Boise, Idaho. **Underwriter**—None.

★ Nation Wide Securities Co., Inc.
Feb. 18 filed (by amendment) an additional 300,000 shares of capital stock (par $1). **Price** — At market. **Proceeds**—For investment. **Office**—New York, N. Y.

National Theatres, Inc.
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 being offered in exchange for National Telefilm Associates, Inc. common stock and outstanding stock purchase warrants. **Basis of Exchange**—Shareholders of National Telefilm will receive $11 principal amount of debentures and a purchase warrant for one-quarter share of National Theatres stock in exchange for each share of National Telefilm. For each outstanding warrant of National Telefilm, the holder will receive an exchange warrant for the purchase of $11 of debentures and a warrant for the purchase of one-quarter share of National Theatres common. The offer expires March 16, 1959. **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.

★ Nichols, Inc., Exeter, Inc.
Feb. 6 (letter of notification) 10,925 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—For expansion and working capital. **Underwriter**—None.

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 up to 11:30 a.m. (EST) on March 10.

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.

★ Ohio Power Co. (3/30)
Feb. 24 filed $25,000,000 of first mortgage bonds due 1989. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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.

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.

O. K. Rubber Welders, Inc.
Dec. 15 filed 60,600 shares of common stock, $43,333.30 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.

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 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.

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.

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 Hydrotex Industries, Inc. (3/6)
Feb. 5 (letter of notification) $300,000 of 6% subordinated sinking fund convertible debentures (fully registered), due March 1, 1969. **Price** — At par and accrued interest. **Proceeds**—For acquisitions, etc. **Office**—267 Meadows Bldg., Dallas 6, Texas. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill. and Schneider, Bernet & Hickman, Dallas, Texas.

★ Plaza Hotel Associates
Feb. 16 filed $6,380,000 of Participations in Partnership Interests, to be offered in units. **Price**—$10,000 per unit. **Proceeds** — For working capital and to refinance bank loans. **Office**—60 East 42nd St., New York, N. Y. **Underwriter**—None.

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.

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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.

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. Statement may be withdrawn.

★ **Rental Supply Inc., Wichita, Kan.**
Feb. 17 (letter of notification) 30,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—To purchase unimproved land and for working capital and other corporate purposes. **Office**—1720 East Morris, Wichita, Kansas. **Underwriter**—None.

★ **Research Investing Fund of America, Inc.**
Feb. 24 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment **Office**—Englewood, N. J. **Underwriter**—First Mutual Securities of America, Inc.

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.

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.

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.

● **Selected Risks Insurance Co.**
Jan. 23 (letter of notification) 8,500 shares of common capital stock (par $10) being offered to stockholders of record Feb. 16, 1959 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.

★ **Showplan, Inc., Los Angeles, Calif.**
Feb. 16 (letter of notification) 3,000 shares of class A stock (par $100) and 3,000 shares of class B stock (par $1) to be offered in units of 10 shares of class A stock and 10 shares of class B stock. **Price** — $1,000 per unit. **Proceeds**—For working capital and general corporate purposes. **Office**—Suite 25, 672 South Lafayette Park Place, Los Angeles 57, Calif. **Underwriter**—None.

★ **Simplex Wire & Cable Co. (3/16-20)**
Feb. 19 filed 203,250 shares of capital stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—79 Sidney St., Cambridge, Mass. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

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.

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 Security Life Insurance of New York (3/5)**
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 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 Balanced Fund, Inc.**
Feb. 24 filed (by amendment) 300,000 additional shares of capital stock. **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.

★ **Texas General Corp.**
Feb. 12 (letter of notification) 500 shares of class A stock. **Price**—At par ($500 per share). **Proceeds**—For drilling a well. **Office**—Suite 1401, 320 Broadway, New York 7, N. Y. **Underwriter**—None.

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.

★ **Thorncliffe Park Ltd. (3/18-20)**
Feb. 20 filed $4,000,000 (Canadian) of sinking fund debentures, series A, due March 1, 1974, and 80,000 shares of common stock, to be offered for sale in units, each consisting of $1,000 of debentures and 20 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For repayment of a loan; to retire all of the company's current bank loans; and the balance for working capital and general corporate purposes. **Address**—Postal Station R, Toronto, Ont., Canada. **Underwriter**—Bache & Co., New York.

★ **Trans-Phonic Industries, Inc.**
Feb. 17 (letter of notification) 2,750 shares of class B non-voting common stock. **Price** — At par ($100 per share). **Proceeds**—For purchase of real estate; machinery and equipment; construction of a plant and for working capital. **Office** — 526 Plaster Ave., N. E., Atlanta, Ga. **Underwriter**—None.

● **TV Junior Publications Inc. (3/3)**
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 Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

★ **United Funds, Inc., Kansas City, Mo.**
Feb. 16 filed (by amendment) 2,000,000 additional United Accumulative Fund shares. **Price**—At market. **Proceeds**—For investment.

★ **United Research Inc.**
Feb. 11 (letter of notification) 640 shares of class A common stock (par $10) and 4,480 shares of class B common stock (par $10) to be offered in units consisting of one share of class A and seven shares of class B common stock of which 497 units are to be offered for subscription by stockholders on the basis of two units for each share of class A and class B common stock now held. Unsold units to go to others. Rights expire March 9, 1959. **Price**—$200 per unit. **Proceeds**—For working capital. **Office**—16 Eliot St., Cambridge, Mass. **Underwriter**—None.

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.

● **United States Pool Corp. (2/27-3/5)**
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.

★ **Waste King Corp.**
Feb. 20 filed 100,000 shares of series C 6% cumulative convertible preferred stock (par $17.50). **Price**—To be supplied by amendment. **Proceeds** — To reimburse the treasury for purchase of 182,000 shares of Cribben & Sexton Co.; towards the development and tooling of new product lines; and the balance to augment working capital. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

● **Western Casualty & Surety Co. (3/5)**
Feb. 11 filed 100,000 shares of capital stock (par $5) to be offered for subscription by holders of outstanding stock at the rate of one new share for each five shares held on March 4, 1959; rights to expire on March 19. **Price**—To be supplied by amendment. **Proceeds**—To increase capital and surplus. **Underwriters** — Kidder, Peabody & Co., New York; and Prescott, Wright, Snider Co., Kansas City, Mo.

★ **White Stag Manufacturing Co. (3/16-20)**
Feb. 20 filed 127,500 shares of class A common stock, of which 65,000 shares are to be offered for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To be applied to payment of outstanding indebtedness of Marcus Breier Sons, Inc., assumed by the company upon liquidation of that corporation; to reimburse the company's treasury for cost of reacquiring 5,951 common shares outstanding prior to a recent recapitalization of such shares into class A and class B stock; and the balance for general corporate purposes. **Office** — 67 West Burnside St., Portland, Ore. **Underwriter**—Francis I. duPont & Co., New York.

● **White Stores, Inc., Wichita Falls, Texas (3/10)**
Feb. 18 filed $5,000,000 convertible subordinated debentures, due March 1, 1979. **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter** — Merrill Lynch, Pierce, Fenner & Smith, Inc., New York.

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 about middle of April. **Registration**—Planned for April 1.

Bank of Southwest N. A., Houston, Texas
Feb. 9 it was announced Bank is offering to its stockholders of record Jan. 20, 1959, a total of 62,500 additional shares of capital stock (par $20) on the basis of one new share for each 10 shares held; rights to expire on March 17, 1959. **Price**—$40 per share. **Proceeds**—To increase capital and surplus.

★ **Brockton Edison Co. (4/23)**
Feb. 23 it was reported that this company plans to issue and sell 20,000 shares of preferred stock (par $100). **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kuhn, Loeb & So., Salomon Bros. & Hutzler and Wood, Struthers & Co. (jointly); Kidder, Peabody & Co., White, Weld & Co. and Shields & Co. (jointly). **Bids**—Expected to be received on April 23.

California Electric Power Co. (3/31)
Jan. 21 it was announced that the company plans the issue and sale of 300,000 shares of common stock. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc.; The First Boston Corp., 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. 2, 1959, on the basis of one new share for each five shares then held; rights expire Feb. 27. **Price**—$20 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Central Power & Light Co.
Jan. 26 it was reported that the company plans to sell $11,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers and Glore Forgan & Co. (jointly); Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co., Inc., and Bear, Stearns & Co. (jointly); Eastman Dillon, Union Securities & Co. **Bids**—Expected to be received sometime in April.

● **Columbia Gas System, Inc. (4/1)**
Feb. 23 it was reported company plans to offer to its common stockholders 1,799,057 additional shares of common stock on a 1-for-15 basis. **Price**—To be named on March 31. **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. **Bids**—Expected to be received up to 11 a.m. (EST) on April 1. **Registration**—Planned for March 5.

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.

★ **Greater All American Markets**
Feb. 16 it was announced that the company is planning an offering of $1,000,000 to $1,500,000 of common stock. **Proceeds** — For expansion program. **Underwriter** — J. Barth & Co., San Francisco, Calif. **Registration**—Expected in the latter part of March. **Offering**—Expected sometime in April.

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.

Jersey Central Power & Light Co.
Feb. 10 it was announced that the company is contemplating the sale of $8,000,000 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 during August.

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.

● **Louisiana Power & Light Co. (4/14)**
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 on April 14.

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.

★ **Natural Gas Pipeline Co. of America**
Feb. 25 it was announced company plans to issue and sell issue of first mortgage bonds later in 1959 to pay off $25,000,000 of bank loans incurred in connection with its construction program. **Underwriters**—Dillon, Read & Co., Inc., and Halsey, Stuart & Co. Inc., both of 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.

★ **Ohio Edison Co. (3/25)**
Feb. 23 it was reported that the company plans to issue and sell $30,000,000 of first mortgage bonds due 1989. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Glore, Forgan & Co.; Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received on March 25.

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.
Feb. 10 it was announced that the company is planning the sale of $15,000,000 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 about mid-year.

★ **Pittsburgh & Lake Erie RR. (4/7)**
Feb. 23 it was reported the company plans to receive bids on April 7 for the purchase from it of $2,475,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ **Research Specialities Co. (3/6)**
Feb. 19 it was reported that the company plans an offering of 50,000 shares of common stock. **Price** — $6 per share. **Underwriter**—Myron A. Lomasney & Co., 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. (3/2-6)**
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);

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Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Registration**—Planned for April 17. **Bids**—Expected to be received on May 28.

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.

★ **Spector Freight System, Inc.**
Feb. 16 this company sought ICC approval for issuance of 200,000 shares of class A common stock, of which 60,000 shares will be sold for the account of selling stockholders. **Proceeds** — To pay outstanding loans and for additional working capital. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill.

Texas Eastern Transmission Corp.
Dec. 11 it was announced by W. Hargrove, Vice-President, that the corporation plans to raise about $90,000,000 through the sale of new securities (tentative plans call for the sale of bonds, debentures and preferred stock). **Proceeds**—To refund $30,000,000 of outstanding bank loans, and the balance will be used for capital expenditures. **Underwriter**—Dillon, Read & Co. Inc., New York.

United States National Bank, Portland, Ore.
Feb. 16 it was reported that in connection with the proposed merger between this Bank and the First National Bank of Baker, Ore, that the Bank plans to issue an additional 23,000 shares of common stock on the basis of one new share for each 49 shares held. **Price**—$50 per share. **Proceeds**—To increase capital and surplus.

★ **United States Servateria Co.**
Feb. 25 it was reported that the company plans an offering of 275,000 shares of common stock. **Underwriter**—Van Alstyne, Noel & Co., New York. **Registration**—Expected March 2.

Uptown National Bank of Chicago
Jan. 15 the Bank offered to its stockholders of record Jan. 15, 1959 the right to subscribe for 10,000 additional shares of capital stock (par $25) at the rate of one new share for each five shares held; rights to expire on March 5. **Price**—$35 per share. **Proceeds**—To increase capital and surplus.

● **Virginia Electric & Power Co. (6/2)**
Feb. 21 it was announced that the company plans to offer an additional 710,000 shares of common stock to be offered for subscription by stockholders of record on or about June 2, 1959, on the basis of one new share for each 20 shares then held. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith, Inc.; 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.

Public Utility Securities

By OWEN ELY

General Public Utilities Corp.

General Public Utilities (GPU) controls the surviving properties of the old Associated Gas & Electric System, which at one time controlled properties worth over a billion dollars in a large number of states. While the scope of the System has been greatly reduced and now includes only two States (Pennsylvania and New Jersey) plus a foreign property, the greatly increased investment in the smaller number of subsidiaries brought gross utility plant up to $874 million at the end of 1958—in another year or so the size of the old System may again be attained.

GPU owns all the common stock of Pennsylvania Electric and Metropolitan Edison (in Pennsylvania), New Jersey Power & Light and Jersey Central Power & Light, plus Manila Electric in the Philippines. About 86% of revenues are obtained in this country and 14% in the Philippines; about two-thirds of domestic revenues are from Pennsylvania and one-third from New Jersey. Domestic companies do not serve any very large cities — Erie, Pa., is the largest of the 1,350 communities served. The total population of this area is about 2.8 million, and about one million customers are served. The whole system is interconnected and integrated. Commercial activities are quite well diversified and industrial revenues are only 28% of the total, with residential and rural contributing about 42% and commercial 21%.

Manila Electric serves some 312,000 customers in the City of Manila and adjacent areas; revenues are about 44% residential, 26% commercial and 20% industrial. The company is enjoying the rapid growth typical of Florida and Texas Utilities, kwh sales having increased 16% and revenues 14% in 1958. It completed a 25,000 kw generating unit in September, 1958, with the aid of temporary loans from the parent company, and has obtained a credit of about $10 million from the U. S. Export-Import Bank to provide the dollar component of the cost of a 60,000 kw unit to be placed in service in 1961.

However, like some other rapidly-growing foreign utilities, Manila Electric's earning power (from the viewpoint of the holding company) has suffered from the inflationary trend of the Philippine economy. Last year transmittal of funds from the Philippines to the U. S. was limited to 30% of net income, and amounted to only about 12¢ per annum on the parent company shares. Actual remittances remain irregular, being subject to the order of the Philippine Central Bank.

The System spent about $92 million for construction last year and about $82 million is budgeted for 1959, including $10 million for Manila. In 1960-61, expenditures are expected to average about $80 million per annum. Two large new generating units were completed late in 1958. In that year the average cost of fuel required to generate one kwh decreased about 4% principally due to greater efficiency. The "heat rate" dropped about 3% to 11,025 btu per net kwh; and the average cost of fuel declined 1.4%. Late in the year Metropolitan Edison placed a 165,000 kw unit in service, and Jersey Central a 138,000 kw unit, raising total domestic capacity to 2,263,000 kw. These new units should further increase System efficiency.

System capital structure is about 49% long-term debt, 11% preferred stock, and 40% common stock and surplus. Customarily, rights are offered to stockholders on a 1-for-15 or 1-for-20 basis, such offerings having been made in June 1951, July 1952, June 1953, May 1954, March 1957, and October 1958, the latter being on a 1-for-20 basis. The company does not plan to offer any additional shares this year, but the next offering may be about a year from now on the usual basis.

Under the terms of the 1958 offering stockholders could buy additional shares at the market price without brokerage cost, and some 64,000 shares were purchased in this manner. For the first time GPU also permitted employees to subscribe and some 1,000 employees bought a total of 11,749 shares.

System financing in 1959 will include the sale of $15 million bonds by Pennsylvania Electric and $8 million by Jersey Central P. & L., around the mid-year. The other two U. S. subsidiaries are not expected to sell any senior securities. The parent company early in February asked the SEC for authority to borrow $15 million from the banks during the coming year, for equity investment in subsidiaries.

The System made a good showing in 1958 despite a dip of 2% in industrial revenues due to the recession. Domestic subsidiaries earned $2.85, including 30¢ which reflected deferred taxes resulting from accelerated depreciation. Including the 12¢ cash obtained from the Philippines subsidiaries, consolidated earnings were $2.97, compared with $2.86 in 1957. Actually, if all the Philippine earnings had been included, earnings would have been $3.20 vs. $3.04. Moreover, the $3.20 is after allowing 15¢ a share for rate litigation involving Manila Electric, which case is still pending before the Philippine Supreme Court. A decision is expected in the latter half of 1959. While the company has been advised by counsel that in their opinion the appeal should be generally successful, consolidated earnings have been reduced by about one-half the amount in controversy.

The dividend last year was raised to $2.12, an increase of 12¢, this being the ninth advance in ten years. Payout is now about 74% of domestic earnings, or 71% of domestic plus actual receipts from Manila. The stock has been selling recently around 48½, the range for 1958-9 approximately 38-52.

Continued from page 2

The Security I Like Best

taken down) have been arranged for with 13 banks in Pittsburgh, New York, Chicago, and St. Louis. This brings total available funds to $23.3 million. Additional bank lines will be added as required. In its Annual Report for fiscal 1958, the management comments as follows about these capital changes: "With ample funds to expand our services on the same conservative basis which we have heretofore followed, we feel that we are on the threshold of a new era." These changes represent the culmination of 10 years of planning and, to quote management "we hope, prove to have been the springboard to expansion and growth. . ." These changes give the company greater flexibility for growth.

The shape of the company's future expansion is likely to be both by increasing loan volume from within and by outside acquisition. Emphasis on increasing the proportion of small loan volume, which in fiscal 1958 represented about one-sixth of the total volume acquired, is likely. During 1957 five additional loan offices were acquired and the company is now in a position to take advantage of other such opportunities as may arise. With more than $7 million of unused bank credit lines, further expansion in loan volume can be expected from within.

The company's equity capital consists of 23,822 shares of 6% convertible preferred, $10 par value, and 381,944 of common, $1 par value. During 1957 the preferred conversion ratio dropped from 1.67 to 1.39 common shares per share of preferred and full conversion would increase the common shares to 415,056 shares. Equity capital amounted to $3,277,780 on Sept. 30, 1958 and total borrowed funds in use amounted to $13 million, or about four times the equity. With the bank lines of $12 million in full use, the borrowed funds would be about $6 for each $1 of equity. Thus, the company could expand its loans by at least $7 million without raising additional equity capital, and thereby create additional earnings for the common. In fact, with $12 million bank lines in full use, the company would be employing $23.3 million capital and with the average rate of net income to capital produced over the past five years, earnings could rise to 90c a share or better, allowing for full conversion of the preferred. This would be equal to nearly $1 a share on the currently outstanding shares. Such results will not develop overnight. Nevertheless, with automobile sales on the rise in 1959 and with the increase in small loan volume the company is experiencing, realization of such results may not be too far in the future.

Past earnings and dividends of this company should be interpreted in the light of its operations on a completely secured basis. In fiscal 1958 earnings were 70c a share which compared with 78c in fiscal 1957 and a five-year average of 78c, 1954-58 inclusive. Net income increased in four out of the five past years but preferred stock conversions resulting in increased outstanding common shares, tended to stabilize annual earnings near 80c a share. Shifting a portion of capital to a long-term basis will help to freeze some of the capital costs and improve earnings as volume rises.

Dividends have been regularly paid for the past decade and at the current 40c annual rate for the past eight years. Total dividend payments over the period represented only 51% of total earnings. Dividend requirements on the basis of full conversion of preferred would represent only 62% of average earnings over this period. In 1958, dividend payments mounted to only 59.2% of earnings for the year. Thus, the dividend, conservative relative to the past, seems even more conservative and secure relative to future possibilities.

Past results have been accomplished with conservative operating policies. This is indicated by the company's ratio of losses to liquidations which over the past decade has averaged less than 1% for both small loans and discount paper. Even in fiscal 1958, a year of industrial recession, the ratio on discount paper was only .75 of 1% and slightly over 1% on small loans. All of these ratios are well below the industry average of about 1.5%. Loss reserves were $446,513 and represented 3.3% of receivables held at the end of fiscal 1958. Other assets of the company are conservatively valued. Furniture and fixtures are carried at $1. These conservative values give a book value of $7.96 a share of common stock, compared with its market value of 6½ and the liquid nature of assets from which this equity is derived is indicated in the fact that they consisted, on Sept. 30, 1958, of $3.8 million cash and governments at market and $13.1 million receivables less reserves for losses, a total of $16.9 million. Thus, the market value of 6½ is only about 82% of net book value represented in conservatively valued dollar assets.

The officers and directors of this company have a large stake in its future through their common stock holdings which amount to 102,788 common shares, or 26.4% of the outstanding total. Common stockholders in this company are affiliated with a strong management interest in the company's future.

The common stock of this company is listed on the American Stock Exchange where its 1958 range was 7⅜-6¼. It is currently selling at 7¼ giving a yield of 5½%. A comparison of the market position of this stock with that of some of the larger companies in the industry whose stocks are listed reveals that they have price-earnings ratio ranging from 11.6 to 16.3, compared to 10.4 for Continental. They sell at 1.65 to 2.48 times their book value, compared with .91 for Continental and yield 4% to 5.5%, while Continental yields 5½%. At a price of 8½, Continental Commercial common would sell for 12 times its earnings and would yield 4.70%.

A purchaser of Continental Commercial common at the current level of about 7¼, gets an interest in a finance company in a favorable position to expand its volume and earning power and in one with a large management-stockholder interest through substantial stock ownership by officers and directors. He also buys conservatively valued dollar assets and earning power at a discount and gets a well secured rate of return of 5½% on his investment while awaiting what looks like favorable prospects.

Joins A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

BELLEVILLE, Ill. — Orville M. Streiff is now with A. G. Edwards & Sons, 13 Public Square.

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)	Mar. 1	§87.6	*86.5	76.9	54.6
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 1	§2,481,000	*2,449,000	2,178,000	1,475,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 13	7,154,820	7,213,320	7,087,285	6,851,985
Crude runs to stills—daily average (bbls.)	Feb. 13	¶7,954,000	8,025,000	8,129,000	7,520,000
Gasoline output (bbls.)	Feb. 13	26,762,000	26,913,000	28,488,000	26,559,000
Kerosene output (bbls.)	Feb. 13	2,952,000	2,903,000	3,234,000	2,619,000
Distillate fuel oil output (bbls.)	Feb. 13	15,420,000	15,009,000	14,751,000	11,961,000
Residual fuel oil output (bbls.)	Feb. 13	7,354,000	6,761,000	7,629,000	7,615,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 13	200,120,000	*198,908,000	190,748,000	210,560,000
Kerosene (bbls.) at	Feb. 13	19,953,000	20,649,000	23,235,000	20,487,000
Distillate fuel oil (bbls.) at	Feb. 13	88,255,000	92,018,000	109,095,000	108,417,000
Residual fuel oil (bbls.) at	Feb. 13	55,646,000	55,824,000	59,368,000	57,134,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 14	567,134	565,397	586,254	533,186
Revenue freight received from connections (no. of cars)	Feb. 14	543,395	551,334	534,064	511,289
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 19	$398,333,000	$346,236,000	$388,080,000	$388,506,000
Private construction	Feb. 19	211,894,000	207,543,000	181,677,000	204,191,000
Public construction	Feb. 19	186,439,000	138,693,000	206,403,000	134,315,000
State and municipal	Feb. 19	138,189,000	96,095,000	109,377,000	96,966,000
Federal	Feb. 19	48,250,000	42,598,000	97,026,000	37,349,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 14	**8,255,000	8,300,000	8,290,000	7,965,000
Pennsylvania anthracite (tons)	Feb. 14	366,000	376,000	587,000	379,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 14	111	108	116	103
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 21	13,259,000	13,156,000	13,394,000	12,338,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 19	310	292	296	317
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 17	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Feb. 17	$66.41	$66.41	$66.41	$66.49
Scrap steel (per gross ton)	Feb. 17	$43.83	$43.83	$41.17	$37.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 18	29.650c	29.600c	28.625c	28.450c
Export refinery at	Feb. 18	28.800c	28.225c	28.225c	20.050c
Lead (New York) at	Feb. 18	11.500c	11.500c	13.000c	13.000c
Lead (St. Louis) at	Feb. 18	11.300c	11.300c	12.800c	12.800c
‡Zinc (delivered) at	Feb. 18	12.000c	12.000c	12.000c	10.500c
Zinc (East St. Louis) at	Feb. 18	11.500c	11.500c	11.500c	10.000c
Aluminum (primary pig. 99.5%) at	Feb. 18	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Feb. 18	102.750c	102.000c	99.125c	94.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 24	86.29	86.31	85.00	94.36
Average corporate	Feb. 24	90.06	89.92	89.92	96.23
Aaa	Feb. 24	94.12	93.97	93.97	102.80
Aa	Feb. 24	92.79	92.64	92.50	100.16
A	Feb. 24	90.06	89.78	89.78	96.07
Baa	Feb. 24	83.66	83.66	83.79	86.78
Railroad Group	Feb. 24	89.23	88.95	88.54	92.06
Public Utilities Group	Feb. 24	89.64	89.37	89.37	98.25
Industrials Group	Feb. 24	91.34	91.34	91.77	98.41
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 24	3.80	3.79	3.93	2.98
Average corporate	Feb. 24	4.41	4.42	4.42	3.99
Aaa	Feb. 24	4.13	4.14	4.14	3.58
Aa	Feb. 24	4.22	4.23	4.24	3.74
A	Feb. 24	4.41	4.43	4.43	4.00
Baa	Feb. 24	4.89	4.89	4.88	4.65
Railroad Group	Feb. 24	4.47	4.49	4.52	4.27
Public Utilities Group	Feb. 24	4.44	4.46	4.46	3.86
Industrials Group	Feb. 24	4.32	4.32	4.29	3.85
MOODY'S COMMODITY INDEX	Feb. 24	382.5	382.4	385.0	396.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 14	289,084	345,179	269,666	238,539
Production (tons)	Feb. 14	310,348	298,371	305,778	259,233
Percentage of activity	Feb. 14	94	93	93	86
Unfilled orders (tons) at end of period	Feb. 14	409,012	431,708	379,895	373,522
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 20	110.70	110.10	111.55	109.19
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 31	2,770,520	2,749,880	2,275,860	1,327,890
Short sales	Jan. 31	409,290	442,720	352,000	268,750
Other sales	Jan. 31	2,365,440	2,235,550	1,927,030	1,058,890
Total sales	Jan. 31	2,774,730	2,678,270	2,279,030	1,327,640
Other transactions initiated on the floor—					
Total purchases	Jan. 31	542,440	545,690	425,310	346,640
Short sales	Jan. 31	44,600	42,200	35,600	29,520
Other sales	Jan. 31	524,180	468,340	384,440	349,720
Total sales	Jan. 31	568,780	510,540	420,040	379,240
Other transactions initiated off the floor—					
Total purchases	Jan. 31	770,670	846,223	772,710	435,037
Short sales	Jan. 31	106,770	115,020	130,840	130,620
Other sales	Jan. 31	964,226	1,035,970	705,307	637,415
Total sales	Jan. 31	1,070,996	1,150,990	836,147	768,035
Total round-lot transactions for account of members—					
Total purchases	Jan. 31	4,083,630	4,141,793	3,473,880	2.109,567
Short sales	Jan. 31	560,660	599,940	518,440	428,890
Other sales	Jan. 31	3,853,866	3,739,860	3,016,777	2,046,025
Total sales	Jan. 31	4,414,506	4,339,800	3,535,217	2,474,915
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. 31	2,019,354	2,233,610	1,553,248	1,128,809
Dollar value	Jan. 31	$102,617,671	$110,987,325	$83,646,908	$49,083,683
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 31	1,715,674	1,877,342	1,436,963	879,804
Customers' short sales	Jan. 31	7,136	5,816	5,683	19,496
Customers' other sales	Jan. 31	1,708,538	1.871,526	1,431,280	860,308
Dollar value	Jan. 31	$86,131,861	$92,799,000	$71,023,101	$37,945,510
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 31	466,120	469,310	409,010	250,160
Short sales	Jan. 31	------	------	------	------
Other sales	Jan. 31	466,120	469,310	409,010	250,160
Round-lot purchases by dealers—					
Number of shares	Jan. 31	744,010	827,560	530,290	504,600
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. 31	697,830	704,390	629,810	774,230
Other sales	Jan. 31	19,323,890	19,592,360	14,917,080	10,684,080
Total sales	Jan. 31	20,021,720	20,296,750	15,546,890	11,458,310
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 17	119.4	119.4	119.6	119.1
Farm products	Feb. 17	91.0	91.1	92.3	96.9
Processed foods	Feb. 17	107.8	107.9	109.2	109.5
Meats	Feb. 17	100.1	101.0	103.3	102.7
All commodities other than farm and foods	Feb. 17	127.6	127.6	127.4	125.8

*Revised figure. ¶Includes 994,000 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. **As reported by National Coal Association.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of October:	139,836	*124,724	123,759
Stocks of aluminum (short tons) end of Oct.	124,202	*123,059	183,414
AMERICAN HOME LAUNDRY MANUFACTURERS ASSOCIATION—Month of December:			
Total home laundry appliance factory unit sales (domestic)	500,852	493,259	344,796
Combination washer-dryers	21,662	17,725	12,026
Washers	330,520	333,035	213,485
Dryers	148,670	142,499	119,285
AMERICAN PETROLEUM INSTITUTE—Month of November:			
Total domestic production (barrels of 42 gallons each)	234,764,000	241,378,000	229,430,000
Domestic crude oil output (barrels)	209,518,000	216,304,000	204,484,000
Natural gasoline output (barrels)	25,199,000	25,039,000	24,930,000
Benzol output (barrels)	47,000	35,000	16,000
Crude oil imports (barrels)	29,026,000	28,885,000	28,225,000
Refined product imports (barrels)	25,073,000	*25,549,000	17,572,000
Indicated consumption domestic and export (barrels)	280,399,000	*289,639,000	280,728,000
Increase all stocks (barrels)	8,464,000	6,173,000	§5,501,000
AMERICAN RAILWAY CAR INSTITUTE—Month of December:			
Orders for new freight cars	3,830	6,295	3,443
New freight cars delivered	2,621	1,803	6,174
Backlog of cars on order and undelivered (end of month)	27,596	27,962	55,941
AMERICAN TRUCKING ASSOCIATION, INC.—Month of December:			
Intercity general freight transported by 364 carriers (in tons)	4,558,570	4,413,279	3,883,351
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Jan. 31:			
Imports	$250,974,000	$254,362,000	$272,821,000
Exports	345,691,000	349,303,000	460,866,000
Domestic shipments	13,015,000	15,057,000	11,180,000
Domestic warehouse credits	155,009,000	229,289,000	374,940,000
Dollar exchange	118,270,000	82,920,000	65,040,000
Based on goods stored and shipped between foreign countries	249,694,000	262,667,000	237,280,000
Total	1,132,653,000	1,193,598,000	1,422,127,000
COAL EXPORTS (BUREAU OF MINES)—Month of November:			
U. S. exports of Pennsylvania anthracite (net tons)	198,440	252,489	239,990
To North and Central America (net tons)	161,200	173,730	162,282
To Europe (net tons)	27,392	72,800	74,838
To Asia (net tons)	------	5,594	2,870
To South America (net tons)	9,848	25	------
Undesignated	------	340	------
COAL OUTPUT (BUREAU OF MINES)—Month of January:			
Bituminous coal and lignite (net tons)	34,820,000	38,230,000	37,700,000
Pennsylvania anthracite (net tons)	2,194,000	2,324,000	2,197,000
COKE (BUREAU OF MINES)—Month of Nov.:			
Production (net tons)	5,240,491	5,107,768	5,630,500
Oven coke (net tons)	5,176,712	5,046,197	5,540,500
Beehive coke (net tons)	63,779	61,571	90,000
Oven coke stock at end of month (net tons)	3,881,550	3,896,260	2,963,062
CONSUMER PRICE INDEX — 1947-49 = 100— Month of December:			
All items	123.7	123.9	121.6
Food	118.7	119.4	116.1
Food at home	116.8	117.6	114.3
Cereal and bakery products	134.0	134.0	131.8
Meats, poultry and fish	113.0	113.5	106.0
Dairy products	114.3	114.5	114.6
Fruits and vegetables	120.1	121.1	113.9
Other foods at home	110.7	112.6	114.9
Food away from home (Jan. 1953 = 100)	113.6	113.7	------
Housing	128.2	128.0	127.0
Rent	138.7	138.4	136.7
Gas and electricity	118.2	118.1	114.3
Solid fuels and fuel oil	137.0	135.8	138.3
Housefurnishings	103.6	103.5	104.9
Household operation	132.8	132.6	129.6
Apparel	107.5	107.7	107.6
Men's and boys'	108.4	108.5	109.5
Women's and girls'	100.2	100.6	100.1
Footwear	130.4	130.3	129.1
Other apparel	92.3	92.3	92.3
Transportation	144.3	144.5	138.9
Public	133.3	133.6	182.4
Private	191.8	191.1	128.6
Medical care	147.3	147.0	140.8
Personal care	129.0	129.1	127.0
Reading and recreation	116.9	117.0	114.6
Other goods and services	127.3	127.3	126.8
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100— Month of January:			
Adjusted for seasonal variation	137	*144	130
Without seasonal adjustment	106	*252	100
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate customers—Month of November (000's omitted)	47,863,081	48,223,056	46,041,836
Revenue from ultimate customers—month of November	$814,700,000	$821,372,000	$773,505,000
Number of ultimate customers at Nov. 30:	56,124,408	56,014,065	55,092,196
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49 = 100—Month of Jan.:			
Seasonally adjusted	143	142	133
Unadjusted	142	140	132
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of January (1947-49 = 100)	62.3	65.3	67.9
MONEY IN CIRCULATION—TREASURY DEPT.			
As of Nov. 30 (000's omitted)	$32,036,000	$31,386,000	$31,661,000
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Jan.:			
Industrials (125)	3.21	3.17	4.40
Railroads (25)	4.54	4.60	6.80
Utilities (not incl. Amer. Tel. & Tel.) (24)	3.89	3.87	4.64
Banks (15)	3.92	4.00	4.93
Insurance (10)	2.51	2.54	3.16
Average (200)	3.36	3.34	4.56
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of Jan.	£41,388,000	£8,635,000	£24,611,000
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of December:			
Total operating revenues	$836,828,096	$809,534,673	$825,863,829
Total operating expenses	656,015,960	623,805,871	683,569,046
Taxes	79,026,045	82,006,668	57,711,335
Net railway operating income before charges	77,545,191	80,186,624	56,632,071
Net income after charges (estimated)	89,000,000	62,000,000	75,000,000

*Revised. §Decrease all stocks (barrels).

Mutual Funds

By ROBERT R. RICH

New Canadian Fund Now in Operation

The North American Fund of Canada Limited, a new mutual fund investing in the common stocks of leading Canadian and U. S. business corporations, on Feb. 25 commenced operation as an open end company following a successful $7,500,000 underwriting.

The initial offering of the new Fund's shares, which is approximately the equivalent of a $75 million underwriting in the U. S., was the first undertaken by leading investment dealers in Canada. The syndicate was headed by Wood, Gundy & Company, Limited.

Shares of North American Fund are now being offered on a continuous basis through authorized investment dealers throughout Canada under the sponsorship of Vance, Sanders & Company of Canada.

William F. Shelley, President of North American Fund, said the new Fund will be bulwarked by "strong sponsorship and a unique management setup featuring a Board of Directors that is made up of leading Canadian and U. S. business and investment men who have extensive experience in the selection and supervision of investments in both countries."

Vance, Sanders & Company, in the United States, headquartered in Boston, is the oldest and largest sponsor of mutual fund shares which are sold through investment dealers in the U. S. and many foreign countries. Net assets of the five Funds in the Vance, Sanders group are in excess of $2 billion. Included in the group is Canada General Fund Limited, a Canadian investment company investing in securities of Canadian corporations and owned by some 35,000 U. S. investors. Total assets of this company are approximately $100,000,000.

North American Fund is managed by North American Fund Management and Securities Limited, which has a contract with Boston Management & Research Company for the performance of basic research and analysis work for the new Fund. The Boston firm also is the investment adviser to the $200 million Boston Fund, a U. S. mutual fund investing in U. S. securities, and to the abovementioned Canada General Fund Limited.

One unique benefit which North American Fund derives from the work of Boston Management & Research Company, Mr. Shelley explained, is that Canadian investment holdings are analyzed in the light of similar investments in the U. S. Each research specialist now studies and follows the same industries in both countries, he added.

North American Fund's investment policies are directed by the Board of Directors of which George M. Hobart of Montreal, President of Consolidated Paper Corporation Limited, is Chairman.

Other prominent Canadians on the new Fund's Board are: John A. Fuller, President of The Shawinigan Water and Power Company; Major-Gen. A. Bruce Matthews, President of The Excelsior Life Assurance Company; Honorable Ray Lawson, Director of The Great Lakes Paper Company and Traders Finance Corporation Limited; and Maxwell C. G. Meighen, President of Canadian General Investments Limited.

The Board also includes such leading U. S. investment men as O. Kelley Anderson, President of the New England Mutual Life Insurance Company; Kenneth L. Isaacs, Vice-Chairman of the Board of Trustees of Massachusetts Investors Trust, oldest and largest mutual fund in the U. S.; William F. Morton, Vice-President of the State Street Investment Corporation; and Henry T. Vance, President of Boston Fund. Mr. Shelley is also President of Canada General Fund and Vice-President and Director of Boston Fund.

"We are convinced that a great future exists in the Canadian investment market for mutual funds," Mr. Shelley said.

"Just 10 years ago at the end of 1948, total net assets of 87 U. S. mutual funds stood at $1.5 billion and shareholder accounts numbered 722,118" he said. "At the end of 1958 the assets of 151 U. S. companies amounted to over $13 billion and shareholder accounts had increased to over 3.6 million. We believe that the popularity of mutual funds among investors in Canada is on the threshold of a similar pattern of growth."

Mr. Shelley explained that the North American Fund will seek long-term growth of principal and income by investing in a cross-section of companies in leading industries with promising growth potentials. "These investments will be made in Canadian companies whose fundamental strengths, values and resources can be expected to reflect the over-all growth of business and the development of the country's rich natural resources," he added.

The new Fund, he pointed out, will also provide Canadian investors with a means of participating in the ownership of U. S. companies on a diversified and selective basis. The Fund's portfolio will include a reasonable amount of stocks of U. S. companies with promising prospects for long-term growth and which will complement by their nature the Fund's holdings of Canadian stocks.

North American Fund, he explained, is designed to constitute some part of the equity portion of an investor's long-term investment program and while, of course, the shares will fluctuate in value, the long-term history of common stock price movements shows that stocks provide both a desirable hedge against inflation and a productive participation in the long-term growth of the dynamic Canadian economy.

U. S. Investors Increase Holdings In Canadian Funds

As the Canadian economy resumed its upward trend in 1958, average per capita holdings of U. S. citizens in eight publicly owned Canadian investment companies rose substantially during the year, William F. Shelley, co-chairman of The Committee of Canadian Investment Companies reported.

During 1958 total net assets under management of the eight registered Canadian companies whose shares are qualified for sale to U. S. investors rose more than $105,000,000, according to Mr. Shelley, President of Canada General Fund, Limited.

As of Dec. 31, 1958, a total of 128,867 U. S. investors held shares shares with a total net asset value of $393,725,525, or a per capita average of $3,055 each. This compares with a total of 127,399 investors holding shares with total net asset value of $288,701,702, representing average individual investments of $2,266 each at the end of 1957.

"It is significant," Mr. Shelley pointed out, "that the bulk of the 1958 increase in the assets of the Canadian companies represented improvement in market prices of the securities which they hold and the cumulative long-term benefits derived from continuous retention and reinvestment of their investment income during Canada's transition from recession to recovery.

"Capital additions through $12,865,148 of new investor purchases in 1958 were responsible for about 12% of the year's $105,000,000 increase in total net assets, while approximately 88% of the year's growth reflected appreciation in the market values of a broad range of securities of enterprise contributing to the long-term economic growth and development of Canada."

The eight Canadian investment companies—all of the mutual fund type—compound possible long-term benefits for their shareholders by re-investing their net income rather than distributing it in the form of taxable current income.

This policy contributed substantially to growth of the Canadian companies' assets during the past year, it was pointed out.

National's Dividend Fund Rises 40% In Year 1958

National Dividend Series report to shareowners accompanying the 54th consecutive dividend payment shows that asset value per share had increased from $2.91 on Dec. 31, 1957 to $4.06 on Dec. 31, 1958, a gain of 40%.

During the same period, total assets of the fund, sponsored and managed by National Securities & Research Corporation, went from $61,024,662 to $103,379,638, shares outstanding from 20,951,438 to 25,481,438 and shareowners from 46,970 to 49,894.

In his message to shareowners, president Henry J. Simonson, Jr., stated that National's investment staff believes that the business recovery currently underway will continue at a good—but not a boom—rate in 1959.

Incorporated's Share Value Up 42% in 1958

Incorporated Investors per share net asset value increased 42% during 1958 stockholders are told in its Thirty-third Annual Report. Net asset value per share increased during 1958 from $7.01 to $9.69, which figure adjusted for a $0.27 capital gain paid during the year was the equivalent of $9.96.

On December 31, 1958, stockholders were also informed, Incorporated Investors' total net assets stood at $306,877,908 shares outstanding at 31,677,586, and stockholders at 66,170, all record year-end highs.

Summarizing the basic reasons for substantial new commitments made in 1958 in the ethical drug, life insurance, growth public utility, and steel industries, Chairman William A. Parker and President Charles Devens, state in the Letter to Stockholders: "The intensive research in the ethical drug industry continues to bring about a flow of new products to a waiting and responsive market. The public utilities serve rapidly expanding territories. The life insurance industry, which fills a basic human need, is expanding at a rate faster than the economy. The steel industry — which demonstrated great inner strength during the recession in its ability to show profits even when operating at half capacity — should remain the backbone for continued industrial expansion."

Purchases in the last three

months of 1958 were Air Products, Incorporated; P. Lorillard Company; Philips Incandescent Lamp Works; Reliance Electric and Engineering Company; Southern Company; and Virginia Electric and Power Company.

Securities eliminated were Aluminum Company of America; British Aluminum Company, Limited; Canadian Husky Oil, Ltd.; Martin Company.

Named Director

The election of William K. Jacobs, Jr., as a director of Gatineau Power Company, Hull, Quebec, has been announced by the company.

Mr. Jacobs, President of Abacus Fund, a closed-end investment company, is also a director of Madison Fund, Inc., Government Employees Insurance Co. and its affiliates.

With La Hue Inv. Co.

ST. PAUL, Minn. — Victor F. Stolpman is now with La Hue Investment Co., Pioneer-Endicott Arcade.

Joins Hannaford, Talbot

(Special to The Financial Chronicle)

LODI, Calif. — Edward Tempel has joined the staff of Hannaford & Talbot, 5 School Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Federal taxes are going up sharply on life insurance companies. Just how much they will be increased remains to be determined, but all indications are the industry may expect to pay nearly twice what it has been paying in recent years.

Obviously, the new impost will cut into the profits of the growing industry. The companies have expected to have their taxes raised, but they did not expect to have them increased as much as the House of Representatives voted a few days ago under the proposed permanent new formula.

The House-passed measure is pending before the Senate Finance Committee, which proposes to conduct hearings early in March so that early Senate floor action may follow immediately. The proposed new tax formula is scheduled to become retroactive as to 1958 taxes. Thus, the Senate plans to expedite action on the measure.

The House Ways and Means Committee worked closely with the Treasury Department in connection with the measure, and the Senate Finance Committee probably will do likewise. The Treasury needs every dollar it can scrape up to meet the bills of the Federal Government, and it is anxious to get the formula fixed as quickly as possible.

Companies Want Action

While there is a marked division between some stock companies and mutual companies relative to the merits and demerits of the proposed new tax formula, the companies nevertheless are anxious to get the tax plan settled to see where they stand. At this time the companies are not quite sure how much they are going to owe the Treasury on their 1958 income. Nevertheless, it is estimated that under the proposed 1959 insurance company act, the tax will yield $540,000,000 a year. This would amount to more than $215,000,000 in excess of what they have been paying.

The tax will not keep the companies from growing and prospering, barring some major national catastrophe. For instance, the major life companies expect their sales in 1959 to be about 10% greater than 1958. A great majority of the companies are now writing a "family plan" which has proven fairly popular.

The facts are nearly all kinds of insurance are growing. For instance, it is estimated that 121,000,000 people in this country now have health insurance of some kind. The Health Insurance Institute says the number of persons protected for major medical expenses jumped from 13,300,000 to 16,500,000 in 1958.

Many individuals have asked to be heard before the Senate Finance Committee. They represent the stock companies and the mutual carriers. The companies and their spokesmen will contend that the House-approved measure would raise the tax too much. They feel that the total estimated tax yield should be closer to the $500,000,000 mark than the $540,000,000 estimated under the House bill.

In addition to the increase in taxes, insurance companies of various kinds are expected to come under investigation on Capitol Hill during the 86th Congress. One thing apparently would be shown by any inquiry is the keen competition that prevails among most companies. Records show that no company leads in every line of insurance that it writes.

Mutual Carriers Hard Hit

The mutual carriers are particularly disturbed over the proposed bill before the Senate Finance Committee, because they would pay the majority of the increase. One spokeman for the mutual group maintains that the measure opens the door for tax raids on every form of savings and singles out the life insurance industry for tax penalties borne by no other form of business in the United States.

Louis W. Dawson, President of Mutual of New York, and Chairman of a committee representing 24 mutual life companies with millions of policyholders, maintains that the sole aim of a mutual life company is to provide insurance at the lowest possible cost. At the end of the year when a mutual company has more money in the coffers than it needs to fulfill all its obligations to policyholders it returns the unneeded funds in the form of a premium refund.

Life companies must always have on hand large reserves for the payment of claims of policyholders. For this reason life companies are taxed on a different formula than a bank or other business. Mr. Dawson insists that some companies under the House-passed bill would pay three times as high a rate on their investment income as others. Said he: "This is a strange new principle in corporate taxation."

For all practical purposes the proposed new tax measure is an Administration measure, because of the dominant role played by the Treasury Department. Nevertheless, the 10 Republican members of the House Ways and Means Committee sought to send the bill back to committee for further study and the role it might play on the economic scene.

Reserves Termed Anti-Inflationary

Although the life companies do not pay the 52% corporation tax that other companies pay, the companies of course pay other taxes—Federal, state and local. A letter from H. Ladd Plumley, President of the State Mutual Life Assurance Company, Worcester, Mass., printed in the Congressional Record, says the new tax would amount to an increase from $1,975,000 to $4,050,000 or a rise of 105%.

"We hear on many sides today," said Mr. Plumley, "of the Federal Government's intentions of taking all possible actions to stop the inroads that inflation has been making upon the value of our dollar. The reserves of life insurance are the greatest pool of long-term capital in the world. To levy taxes of this weight upon life insurance at a time when all forms of savings should be encouraged, seems to lack logical explanation. . . . Present life insurance taxes (Federal, state and local) are almost three times as great as the average tax on other forms of savings."

Chairman Wilbur Mills of the House Ways and Means Committee, who steered the measure to passage, was peppered with questions from colleagues. He said the bill would not have any effect on the present statute dealing with municipal bonds.

Several House members during discussion of the measure indicated that the effects of the bill, assuming it becomes law, would be watched very closely in the next year or two in order to uncover defects or inequities. Evidently there will be inequities.

Views of Chairman Mills

The measure provides a tax base for life companies consisting of three parts. They are "free" investment income; one-half of the underwriting gains (or, more accurately, one-half of the excess of gains from operations over taxable investment income); and to the extent distributed to shareholders, the remaining gains from underwriting. Chairman Mills said the tax on income when distributed, applies only if more than the amounts already subjected to tax under the other parts are distributed.

"Also, this latter phase applies only for 1959 and subsequent years," said he. "In addition, the bill for 1959 and subsequent years taxes net long-term capital gains under a separate tax at a flat 25% rate similar to that applicable to the capital gains of other corporations.

"To aid new and growing companies the bill allows net losses from underwriting to be offset in full against taxable investment income and to aid small business a special deduction is allowed equal to 5% of investment income up to a maximum deduction of $25,000. For future years it provides for an exemption for investment income allocable to qualified pension fund reserves under the free investment income base of part one. This treatment is provided in view of the exemption presently available for pensions provided in through 'trusteed' plans. The exemption is made effective in three steps over the period 1959 to 1961, being one-third effective in 1959, two-thirds effective in 1960, and fully effective in 1961."

[*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

"He's very well versed on the general economy and stock market transactions—in other words, he's a bore through and through!"

Now With E. I. Hagen

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — James M. Lynch has become affiliated with E. I. Hagen & Co., American Bank Building. He was formerly with Walston & Co., Inc.

NY Hanseatic Corp. Announces Promotions

New York Hanseatic Corporation, 120 Broadway, New York City, has announced the following promotions: Frank J. Ronan, Vice-President; Alfred Lachhein, Treasurer; Edward J. Busick, Controller; William P. Meyer, Assistant Vice-President; Henry Scherping, Assistant Vice-President and Assistant Treasurer; Samuel Gold, Assistant Secretary, and Jack Honig, Assistant Secretary. Fred Pritzkow was named an Assistant Treasurer of the investment firm.

Frank J. Ronan

Admiral McLean Joins Bache in Philadelphia

PHILADELPHIA, Pa. — Rear Admiral Ephraim Rankin McLean Jr., (United States Navy, Retired), a pioneer in Naval Aviation, is now associated with the Philadelphia office of the investment firm of Bache & Co., 1510 Chestnut Street, members of the New York Stock Exchange, it was announced by Harold L. Bache, managing partner.

Prior to joining Bache & Co., Admiral McLean had been Commandant of the Fourth Naval District and Commander of the Naval Base, Philadelphia, since August, 1956.

COMING EVENTS

In Investment Field

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.

Feb. 27, 1959 (Milwaukee, Wis.) Milwaukee Bond Club Annual Dinner at Pfister Hotel.

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