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EDITORIAL

As We See It

In one of his exuberant moods a year or two ago, Comrade Khrushchev informed a visitor from the United States that his grandchilden would live under Socialism. Few were inclined at the time to take this boast of the world's most powerful dictator very seriously, although a number of students of the trends in our public policies during the past decade or two had by that time developed certain definite misgivings. To these latter it sometimes appears not quite outside the bounds of possibility that the Kremlin boss may be right. But more recently another worry about our future seems to have taken strong hold of a good many in this country. This uneasiness springs less from our own foolish vagaries — if it springs from them at all—than from the progress that the Russians have made in a number of directions and their apparently unshakeable determination to bring the whole world under the domination of the Kremlin.

A number of prominent citizens of this country have of late visited the Soviet Union, and have come back much impressed with what they have seen and what they have found to be the skillful imperialism which characterizes the planning and the programs of the Kremlin. One of these, the facile Adlai E. Stevenson, now presents to the public through the medium of the New York "Times," a brief account of some of the conclusions reached on his recent travels in Russia. He warns us that his journey confirmed his impression "that no relaxation in the Communist offensive is imminent and that there are no visible signs of internal weakness or upheaval in the Soviet Union. On the contrary, the material

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Business and Credit Trend

By DR. WILLIAM C. FREUND*

Economist, Prudential Insurance Company of America and Adjunct Associate Professor of Finance, NYU

Predicting a $34 billion increase in GNP and further tightening in interest rates for 1959, Prudential economist believes production at near capacity and upward push in interest rates will occur in the second half of the year. Dr. Freund depicts $3.9 billion increase in supply of and demand for new funds in 1959 over 1958 compared to increase of $5.3 billion in 1958 as against 1957. Commenting on the pace of recovery to date, the economist admonishes we have not made real progress and warns of inflationary dangers as our unemployment reaches a more normal level.

All of us are deeply involved with what the future has in store, for nearly every decision we make has at its roots some assumption about the future. I think this explains why human beings are so keenly curious about the course of future events. Our expectations about the future shape our decisions, our fortunes, indeed a great part of our life.

William C. Freund

Gazing into the economic future has become the occupation and preoccupation of hundreds of economists, thousands of businessmen, and millions of consumers. Many people are not even consciously aware of the fact that implicit in most of their decisions, say to buy a house, a car, or a new factory, is some expectation about the future. Economists, however, like to spell out explicitly their assumptions about the state of business in the future and to base plans and policies on a concrete forecast rather than vague impressions. To fix our position more clearly and to assess the path ahead, it is well ot glance back briefly at the road we have just traveled. It has been downhill until very recently

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*An address by Dr. Freund before the Essex County Chapter of the American Institute of Banking, Newark, N. J.

The Business Outlook

By DWIGHT W. MICHENER*

Economist, The Chase Manhattan Bank, New York City

Higher money rates can be expected, bank economist opines, with business improving at a satisfactory rate and nonlikelihood that the Fed will shift to credit ease. The economist envisages 1959 will be most prosperous year to date, with industrial production and demands for bank credit from the government and business continuing upward though commercial bank reserve and liquidity position are not overly free to expand. He sees price increase and housing decline occurring later this year. Mr. Michener attributes drastic changes in interest rates to tendency, than would otherwise be the case, to anticipate Fed's policy and to move with, or even ahead, of it.

The past 18 months have given the American economy one of the sharpest and shortest periods of business decline and recovery on record. The trials of decline and the satisfactions of recovery have been crowded into a very short period of time.

D. W. Michener

Now, with activity back more nearly to "normal," everyone is trying to get his bearings and to see what is to come next. Under such circumstances, we do well to take a careful look at the major areas of business to see what conclusions can be drawn. Developments in general business activity, the Federal Treasury situation and the position of banks are of particular interest.

Insofar as the rate of industrial production is concerned, the improvement from the low point of April last year has been substantial, and momentum is still in an upward direction. The Federal Reserve Board Index was 143 in January, and there is strong evidence that 1959 is going to be the best year ever, as measured by this index. Thus, the decade

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*An address by Mr. Michener before the Midwestern Mortgage Conference, Mortgage Bankers Association of America, Chicago, Ill., Feb. 25, 1959.

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

Lockheed Aircraft Corporation—George V. Honeycutt, Co-Manager of Los Angeles Office of Harris, Upham & Co. (Page 2).

Harris - Intertype Corporation—Henry J. Low, Manager of Institutional Dept., Gude, Winmill & Co., New York City. (Page 2).

GEORGE V. HONEYCUTT
Co-Manager, Los Angeles Office
Harris, Upham & Co.
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Lockheed Aircraft Corporation

Lockheed Aircraft has not only "hitched its wagon to a couple of stars" but has hooked on to an "Electra" as well; the Electra being the new turboprop commercial airliner it began delivering in October, 1958.

George V. Honeycutt

As Lockheed's sales in 1959 are expected to hit their highest in history, one analyst has stated: "Lockheed isn't flying the Electra, the Electra is flying Lockheed."

Let's look at some of the reasons why I have selected the common stock of Lockheed Aircraft Corporation as "The Security I Like Best" for the "Chronicle's" Forum this time.

First of all, the management team headed by Robert and Courtlandt Gross is "tops" in a very rugged and competitive business. Its vision and experience has established Lockheed in its present strong position. It is my opinion that when they decided four years ago to build a turboprop airliner, they made a very far-reaching decision which should be very profitable in the future.

While jet airliners are faster and more glamorous than the turboprops, they are also a great deal more costly in every way—and only on the long hops can their speed be utilized. The Electra is designed for 400-mile-an-hour schedules and is considered a medium-range operator. It is well to note that over three-fourths of all present day U. S. airline runs are under 300 miles, and 87% are under 500 miles.

Pre-production costs of $50 million on the Electra have all been written-off over the past four years. Commercial sales in 1959 should climb to approximately $275 million, more than double the 1958 total, and will come almost entirely from delivery of the Electra. Right now Lockheed has orders for 163 Electras which are being produced at a rate of two a week. A spokesman for Lockheed recently stated that they feel they will sell at least 350 of the planes to airlines and has estimated the commercial sales life of the Electra to be from three to seven years. In addition to Eastern and American Airlines, deliveries are being made to Braniff, National and Western, as well as three foreign carriers which are: Cathay-Pacific, Ansett ANA of Australia, and Trans-Australia Airlines.

Although Lockheed's 1958 net earnings haven't been released, they are expected to be between $18 million and $19 million, slightly more than $3.00 a share. This compares with approximately $16 million, or $2.76 a share in 1957. Sales in 1958 have been estimated at $925 million, and a few months ago, Dudley E. Browne, Lockheed's Vice-President of Finance, estimated that in 1959 they expect sales for the first time to exceed the billion-dollar mark.

Lockheed is a dependable and proven manufacturer, as witness the fact that when the last P2V Neptune patrol plane is completed in 1960, it will have had a production life of 15 years. This airplane is scheduled to be replaced by an Electra-type anti-submarine plane for the Navy. They have pre-production contracts totaling $18 million for this plane and expect their first production contract some time this year. Another witness is the Lockheed trainer. Nine out of ten U. S. jet pilots have received their training in Lockheed's 600-mile-an-hour T-33 which has been in uninterrupted production since 1948, the longest run for any jet in U. S. history.

Lockheed is also in production on the world's fastest and highest-flying combat plane, the F-104 Starfighter, which is faster than most missiles. In addition to a large backlog with our Air Force, on Feb. 6, 1959, the West German Government announced the successful completion of negotiations to buy 96 F-104's to be manufactured by Lockheed's California Division and another 200 or more to be built in Germany under license. This will be an important piece of business for Lockheed, at it would strengthen the possibility of additional foreign orders, and heighten the prospects of selling further F-104 versions to the U. S. Air Force.

The two military aircraft on Lockheed's production line that seem likely to generate sales comparable to those of the Electra over the next few years are the supersonic F-104 Starfighter, which I have just mentioned, and the C-130 "Hercules" Air Force transport. The C-130 turboprop transport, while accounting for a lower percentage of sales than the F-104, is much less sensitive to changing technology.

Missile sales in 1959 should account for 35% of total volume, and are expected to rise in importance to the company until by 1960 they should account for approximately 40% of total sales. The top headline-maker is the Polaris, a solid-fuel IRBM (Intermediate Range Ballistic Missile) which is being developed for the Navy. The Polaris is carried by submarine and fired from under water. This weapon, in conjunction with the "Discoverer" series of large satellites for the ARPA (Advanced Research Projects Agency) gives Lockheed two of the nation's six highest priority missile projects.

Another airplane which will go into production this year is Lockheed's Jetstar utility plane which is a ten-passenger, 600-mile-an-hour long-range jet which will be built in Marietta, Georgia.

At the present time, Lockheed is competing hard for a contract to build early-warning planes which would be high-speed carriers for advanced electronic and communications systems. The company has finished designs for a proposed plane, designated the CL-410, which is being evaluated by the Air Force. The design calls for an Electra fuselage, with 150 foot wings used on the Starliner long-range Constellations, plus a large amount of electronic gear. This will be a turboprop, using engines of approximately the same horsepower as those now being used on the Hercules.

I won't attempt to give all the plus factors in the Lockheed picture, but they have one good-sized investment that should be mentioned, i. e., they own 25% of the total outstanding stock of Pacific Finance Corporation, which has proven to be a very good source of income for Lockheed.

The stock was split two-for-one on Jan. 9, 1959, and is selling currently at approximately $30.00 per share. This would indicate a times earnings ratio of ten-to-one, which does not appear overpriced. On an adjusted basis, the stock in 1958 sold as high as 34⅝ and as low as 19⅛. Currently their dividend rate is $1.20 annually and historically Lockheed has paid dividends averaging 39% of net income since 1948.

As of Jan. 9, 1959, there were 6,321,040 shares of common stock outstanding. On that date the funded debt amounted to $58,103,000, of which $28,103,000 were 3¾% subordinated debentures, due May 1, 1980, which are convertible into stock at $24.27 a share through April 30, 1965.

It seems to me that based on all these factors — the common stock of Lockheed Aircraft offers considerable opportunity for capital enhancement.

HENRY J. LOW
Manager, Institutional Research Dept.
Gude, Winmill & Co., New York City
Members, New York Stock Exchange

Harris-Intertype Corporation

In view of the greatly improved outlook for higher earnings in the present fiscal year ending June 30, 1959, and over the coming years the shares of **Harris - Intertype Corporation** provide an attractive medium for long - term capital gains. The company's operations should from now on grow even more vigorously due to the ambitious long - range growth and diversification program, new product development and increased foreign manufacturing and marketing activities.

Henry J. Low

Harris - Intertype was formed as a result of the merger of Harris-Seybold Company and Intertype Corporation in June, 1957. It is one of the largest manufacturers of graphic arts equipment: including offset lithographic presses, rotary letterpresses, multi - color magazine presses, typesetting machinery and matrices, power paper cutters, and lithographic plates and chemicals. Furthermore the company is also one of the major suppliers of radio broadcasting and communications equipment, transmitters and other electronic products.

The Harris-Seybold Division of **Harris-Intertype** manufactures an extensive line of offset lithographic presses. Numbering some 20 standard models, this constitutes the largest and most complete line in the graphic arts equipment industry. About 75% of all commercial offset presses, used presently throughout the United States for printing of multi-colored advertising pieces, greeting cards, calendars, maps, books, labels, cartons and many

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Displacement of Fixed-Wing Planes For Short Distance Transportation

By EUGENE VAN CLEEF
Member of Department of Geography and Business Organization
The Ohio State University

Investors are advised to keep a sharp lookout on the imminent impact of helicopter's displacement of fixed-wing aircraft for short distance transportation. Professor Van Cleef discerns impact on industry's and firm's, heretofore, advantageous location and upon shift of business, and on reduction in overall costs due to less packing, reduced inventories, lower handling costs and elimination of warehousing. In view of latest developments in gas-turbine-powered machines, the author's examination based on present experience points up helicopter air freight and passenger potentials involved. He compares early subsidization of rails to that of pioneering helicopters and outlines why more significant cost reductions are under way.

Air freight service is certain in the near future to affect the physical distribution of industries, and the value of current locations. Oddly enough this fact seems not yet to have impressed many business leaders. A reading of Chamber of Commerce literature still reveals the old 500 mile clichés. "Within 500 miles are the best markets and here also is the industrial core of the nation." "Within 500 miles is located the Great North American Market." "Within 500 miles is located half the population of the nation." These city boasts and many more like them could well be relegated to the historic past. Both the passenger plane and the freight plane have made the 500 mile circle just about obsolete. And yet responsible heads of all manner of industries as well as those who buy their stocks and bonds appear to be unconcerned.

Dr. E. Van Cleef

The old fashioned 500 mile or "rightful" trade territory of cities is fast becoming a myth. To be sure, the percentage of the nation's total freight, carried by air is still small but its rate of increase and potentialities are portentous. As planes increase both their carrying capacity and their speed, not only will the 500 mile circle lose all its former significance but the circle's diameter will be stretched at least seven times in length giving the enlarged circle continental and even intercontinental characteristics. This means manufacturers, wholesalers, and the larger retailers must alter their sights.

Only 30 years ago an official of an air transport company reported in the Magazine of Business, "All long distance passenger hauling will be by airplane; all short distance passenger hauling will be by motor bus. Railroads will carry no passengers but will do a continuous business in freight. When we get mail and goods and people in the air we will have a new fast-moving commerce." This forecast while sensing some of the things that have happened was still well short of the mark. The helicopter, of course, was not mentioned, for at that time it was largely in the dream stage. The lighter than aircraft had its proponets as the probable future long distance carrier, with the fixed-wing plane serving as a supplier. In the light of what has happened during these past 30 years it is difficult to understand how any businessman can be complacent toward the communication revolution.

Cites N. Y. Port Authority Data

The Port of New York Authority investigated, several years ago, the potentialities of the helicopter in our future economy. Its conclusions merit much wider publicity than they received at the time, particularly as we approach the threshold of reality with regard to the helicopter's practicality in a period still viewed by most persons as that of the fixed-wing plane. The Authority's report predicts that by 1970 the helicopter will be making regular intercity flights as a common form of transportation and will do the job in at least one-half the time required by rail, and for a fare of only 6.5 cents to 7.5 cents per mile.

As the speed of the fixed-wing airplane increases, its use for short intercity runs will become less practicable than now. The helicopter can take its place. The Port Authority calculates that about nine intercity routes within a radius of 40 to 175 miles of central New York City, with eight or more suburban routes reaching out 30 to 75 miles, will take care of that great city's traffic. Altogether, three route systems are suggested, (1) a short stage for intercity traffic with an average distance of 45 miles between stops, (2) a suburban stage with 20 mile stops, and (3) an aerocab (airport shuttle service) stage with 10 mile stops. The Authority predicts that by 1975 a total of 6,732,000 persons will be carried, of whom 1,746,000 will be intercity travelers. In the field of package cargo transport, the Authority estimates that the helicopter, as early as 1960, will carry between the airports of New York and Newark,

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Picking Cotton Textiles

By DR. IRA U. COBLEIGH

Enterprise Economist

A conjecture as to the current attractiveness of certain textile company equities.

In the Spring of 1958 the cotton textile industry, quite renowned for its cyclical characteristics, reached a postwar low in price of fabrics and in general profitability. Some attempt was made during the Summer and Fall to nudge prices upward but conditions within the industry, and the hesitant mood of the entire economy last year, prevented any real recovery from getting under way till the last quarter.

Ira U. Cobleigh

For years the industry has suffered chronically from over-capacity, and from the existence of many small marginal mills that had to run at 90% or better to make money; and even then often slashed prices to keep up their cash flow. Time, and a number of mergers in the past decade have considerably reduced over-capacity (operating cotton spindles have decreased 10% since 1949); and a major migration of mills to the South has improved operating efficiency and profit margins, through reduced taxes and labor costs, and operation of more modern plants.

Over-capacity has not been the only problem, however. Internal competition was quite had enough, but the rise of synthetics and the threats and inroads of low-priced Japanese and Indian imports put further pressure on an already sorely troubled sector of the economy. And finally the price of raw cotton, propped up by the bewildering working of the crop support system shepherded by our Department of Agriculture, prevented the industry from access to cheap raw material.

All of which resulted in an output by our cotton mills last year of 8,850,000,000 linear yards of goods—7% below 1957—and most companies will report a substantial decline in net profits from 1957 figures.

Why Buy Them Now?

After such a dreary recital of industrial debits you might wonder why cotton textiles should now be considered by sensibly minded share buyers. Well, there is no visible stampede to take on textile shares but there are some valid reasons to believe that, for many, the worst is over, and better days lie ahead. The improved mill efficiency of the newer Southern units has already been mentioned. Foreign competition has been substantially curbed by a voluntary Japanese export quota. Synthetic fibers, which had made substantial inroads, seem to have reached a point of marginal utility due to technological advances in cotton processing. About 20% of the cotton goods produced in 1958 were given resin finishes, making them "wash and wear" (and doing no doubt a considerable disservice to those companies making electric ironers). And one company researched a structural change in cotton giving it many qualities competitive with the best synthetics. So while the rule of King Cotton may have been a bit shaky, he has not so far, at least, been dethroned.

Finally, lower Government support prices for cotton, recently established, have pointed to a declining trend in the price of raw cotton which all mills will welcome.

On the labor front, increases of about 7% have been accorded in recent weeks, quite generally throughout the industry; which means that some 305,000 mill operatives will be getting about ten cents an hour more in their pay envelopes. Instead of being a disquieting event, this pay raise has proved a stimulant. Many mills have stabilized output on the basis of a five day week, and posted modest increases (5% to 8%) in prices along the line. And sales have picked up briskly. A number of mills already report a sales backlog for the second quarter of the year and the demand shows more vigor and depth than for many months. The broad snap-back from the 1957-58 recession, rising per capita income, the current spurt in consumer buying generally, together with the reassertion of the traditional comfort, drape, coolness and style of cotton fabrics — all these would now suggest a resurgence of the cotton textile industry and a cautious look at some of the more entrenched equities therein.

Some of the Better Textiles

Perhaps the best place to start is with **Burlington Industries, Inc.,** largest textile manufacturer, a major not only in cotton but in wool and synthetics as well. Burlington has absorbed a number of companies, its latest acquisition being Sydney Blumenthal & Co. through which it entered the carpet business. Burlington does a vast business with annual sales in the order of $650 million.

For 1958 (fiscal year ends September 30th) Burlington earned $1.21 on each of the 8,519,691 common shares outstanding, listed on NYSE, trading under the symbol BUR. This year with any sort of luck BUR should earn $1.50 or better and possibly return to a regular 80 cent dividend rate. The common sells currently around 16¼. An attractive alternate entry into this picture is found in the $37.1 million issue of 4½% debentures due Oct. 1, 1975 and convertible into common at 18. The bonds sell around par to yield 4.25%, and the proximity of the common to conversion parity suggests that these "converts" might perform in a sprightly market fashion. You are not asked to pay too dear a premium for the conversion privilege here.

Another old and honored name in textiles is **Cone Mills Corp.,** incorporated 64 years ago. Cone does a gross business of around $165 million. It has paid dividends without interruption since 1914, the present rate being 80 cents. For 1958, Cone will probably show 15% or so per share less than the $1.24 reported in 1957 due partly to start-up costs of a new plant. A per share figure of perhaps $1.35 looks possible for 1959. Company has for years majored in denims and corduroys. CONE sells around 15½, listed NYSE.

Dan River Mills, Inc., traditionally a large manufacturer of dyed and finished cottons has, since 1955, expanded by acquisition of Iselin-Jefferson, a factoring and textile distributing company, and of Alabama Mills. Dan River features a line of wrinkle-resistant seersuckers, cords and bed sheets. Per share earnings have fluctuated but little in the past three years (around $1.20). Some improvement might be looked for this year, but probably no change in the 80 cent dividend. At 15, DML yields 5.33%.

Another impressive and progressive company is **J. P. Stevens & Co., Inc.** which, like Burlington, produces not only cotton goods but synthetic and wool fibers as well. Cotton, however, accounts for about 45% of total business. Capitalization of STN is quite simple, composed of $57.6 million in long term debt and 4,243,820 shares of common, now selling at 29, with an indicated $1.50 dividend, producing a current yield of 5.17%. Stevens is unique among textiles in that its 1958 per share net (fiscal year ends Oct. 31) was higher than in any of the three preceding years. STN earned $2.60 last year, ample coverage for its dividend. Dividends have ben paid continuously since 1935.

Other textiles you might want to look into would include **Cannon Mills,** famous maker of towels, whose common sells around 65 and pays $3; and **United Merchants and Manufacturers,** a quite diversified company which also operates the well known Robert Hall store chain. United Merchants sells around 18½ with an indicated $1 dividend.

There has been a strong tone in cotton textile shares in recent weeks, and some of the leading issues touched upon here, will probably move to higher ground in 1959. Yields are relatively high, price/earnings ratios low, and some of the capitalizations provide considerable leverage for their commons. Some of these shares, you might cotton to.

Named Director

Robert L. Huffines, Jr. has been elected to the board of directors of Roberts Company, manufacturers of textile spinning machinery. Mr. Huffines is chairman of the board of Worth Fund, Inc., a closed-end investment company specializing in textile and related securities.

Observations . . .

By A. WILFRED MAY

NEW BUSINESS-BAITERS

Traditionally the chief characteristic distinguishing our two political parties has been their differing attitude toward business —the Democrats acting the role of persecuters and the GOP its staunch defenders. This concept carried through the 1952 election campaign with the assumption that a GOP victory implied at least a favorable "climate" for business. But, alas, President Eisenhower's "Republicans Moderne" have come through as top performers in the harassing role.

A. Wilfred May

Department of Justice activities have run the gamut from the presently re-highlighted anti-monopoly suit aagibst Du Pont-General Motors; to the series of three actions, civil and criminal (with indictment), brought against RCA-NBC by Attorney Generals Brownell and Rogers; to the present stirrings of the Department against the proposed Morgan-Guaranty Trust merger.

The Justice Department has been moving to strengthen its powers in various directions. Only this week anti-trust chief Victor Hansen together with the Federal Trade Commission is urging Congress to give the Attorney General the power to demand business records for use in the possible preparation of a civil anti-trust suit.

The booming mutual fund industry has not escaped the "attention" of the Republican-controlled SEC. The Commission has devised extensive surveys with recommendations designed to strengthen its enforcement powers under the Investment Companies Act of 1940, and to clarify regulatory provisions of the Investment Advisers Act. Hearings on a pending bill embodying the SEC's recommendations are indicated for this year, to be held before the House Interstate and Foreign Commerce Committee and then by the Sub-Committee on Securities of the Senate Committee on Banking and Currency.

And in the Congress, Democratic controlled, the insurance industry is faced with a series of broad-scale investigations similar to the philosophy underlying the New Deal's historic TNEC (Temporary National Economic Committee) hearings of the late 1930's. These come under the aegis of the sub-committee on Anti-Trust and Monopoly legislation of the Senate Judiciary Committee. Chaired by Senator O'Mahoney, this sub-committee, which has already completed studies of aviation and marine insurance, will soon get into the fire and casualty area and then the life field. Following the TNEC theme, the present inquisitors will inquire into the concentration of economic power; in the case of the life companies determining whether their huge control of assets gives them unwarranted power over business. While the industry was given a clean bill of health on this in 1939, it is deemed time now to take another look. Also the subject of inquiry will be the adequacy of state regulation.

* * *

THE JET AND THE FUTURE OF THE AIR LINES

The position of our air transport industry has lately been showing marked improvement. But since this has chiefly resulted from a rise in domestic fares which is in the process of attrition from continually rising costs, the future will importantly depend on the impact of the introduction of jet-equipped carriers.

Hence the actual results of the progressive strides in this field already made by British Overseas Airways are highly significant. This is specifically seen in the effect of the introduction, on the fourth of October last, of the pure-jet Comet 4, on B.O.A.C.'s bookings, both on its Monarch luxury service flown by the Comet, and also on the carrier's other trans-Atlantic services operating from New York, Boston, Chicago, Detroit and San Francisco. In the months October through January, the number of Monarch service passengers increased by 47%—which increase is directly attributable to the introduction of the pure-jet Comet, since this is now the only aircraft used for that service.

Moreover, all classes of service have shown increased bookings during this period since the introduction of the Comet. De Luxe and first class passengers on the New York to London run have increased by 82%, and all classes from the United States by 49%. The reason for these rises is two-fold. First, B.O.A.C. received world-wide publicity as the first carrier to operate pure-jet passenger flights across the Atlantic and to some extent became known as "The Jet Airline." Second, the introduction of the Comets as had the Brittanias contributed to substantially increased transatlantic seating capacity.

Further evidence of the great stimulus to travel given by the British carrier's jet is seen in the fact that the number of eastbound

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The State of Trade and Industry

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

Economic activity in the nation reached a new post recession high in January and early February, the Federal Reserve Bank of St. Louis observes in the February issue of its "Monthly Review."

Industrial production continued upward, and increased sales, both at the retail and manufacturers' level, supported its growth in January. Employment conditions showed some improvement between December and January. Prices continued to be stable, and interest rates remained at virtually the same level as in January.

Reflecting demand from business and Government, loans and investments at commercial banks in the nation expanded in early February. In the four months through January 1959 they increased more than seasonally, rising an estimated $5 billion (3%). In the corresponding period a year ago they rose $1.3 billion (0.8%). The average rate of increase for the like periods in 1955 through 1958 was 1.6%.

As bank credit expanded, excess reserves of member banks declined from an average of $570 million last September to $490 million during January, and their borrowings from the Federal Reserve Banks rose from an average of $475 million to $555 million. However, member bank borrowings were substantially below the levels maintained from late 1955 through 1957.

Nationwide Bank Clearings Up 3.5%

Bank clearings in the week ended Feb. 28 will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle" based upon telegraphic advices from the principal 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 3.5% above those of the corresponding week last year. Our preliminary totals stand at $21,872,522,561 against $21,140,537,057 for the same week in 1958.

The telegraphic advices of the "Chronicle" shows that the four leading money centers compare as follows for week ended Feb. 28:

	1959	1958	%
New York	$11,173,895,813	$11,027,917,279	+1.3
Chicago	1,093,235,925	1,052,266,226	+3.9
Philadelphia	960,000,000	946,000,000	+1.5
Boston	611,915,120	655,368,233	—6.6

Farmers Income at Record High in 1958

The Agriculture Department reports that farm income per person last year rose to a new record of $1,068, being 9% better than the previous 1951 peak. Total realized net farm income, the cash remaining after farmers pay their expenses, totaled $13,100,000,000 in 1958, a 21% increase from 1957. In late years there has been a decline in farm population and consequently a larger spread of total income among fewer farmers has helped to raise their per capita income.

New Construction in Jan.-Feb. at Record Peak

New construction activity declined as is usual in February, but the $3.5 billion total of work put in place was 12% above the previous February record set in 1958, according to preliminary estimates prepared jointly by the U. S. Departments of Labor and Commerce. For the first two months of 1959, expenditures totaled more than $7.1 billion — an all-time high for the January-February period.

Private spending for new construction in January and February was up 9% this year from 1958 to a record $5.1 billion, primarily because of a 30% expansion in outlays for new dwelling units (to $2.2 billion). The increase in residential construction, coupled with strength shown by many other kinds of private work, more than offset the 35% drop from 1958 in expenditures for private industrial plant. Expenditures for new industrial plants

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How Can Inflation Be Stopped?

By DR. E. SHERMAN ADAMS*

Deputy Manager in Charge of Economic Policy Commission
American Bankers Association, New York City

Bankers' economist expresses concern about ethics involved in the appeal for savings as a curb to price inflation under existing conditions. Instead, after analyzing the nature of our inflation, Dr. Adams prescribes what should be done to protect today's "48-cent dollar" from further attrition so that, thereby, the incentive to save is strengthened. The economist believes: (1) Federal budget's size is inflationary even when balanced; (2) gold convertibility or automization of big business, labor and government, or chancing a crash program would not be helpful; (3) once the public understands the problem, their indignation would check inflationary wage settlements and business pricing practices; and (4) that reliance on the kind of public education, which he prescribes, can change our apathy toward "man-made inflation" to determined action without recourse to "fear psychology"—if we start now.

What this country needs is a good 48-cent dollar—one that will be worth tomorrow what it is worth today. How is this to be achieved? How can we prevent further erosion of the value of the American dollar?

Dr. E. S. Adams

It is only within the past few years that the American people have really begun, at long last, to face up to this problem. We blamed the inflation of the 1940's on World War II and we blamed the Korean War for the price rise of 1950-51. For the additional inflation that has occurred since then, however, we have no war to blame, only ourselves. We can now see that we are in danger of accepting inflation as a way of life.

This can be avoided, of course. Inflation is man-made. If we are sufficiently determined to stop it, we can.

But how? Just what are the things that we should be doing right now and over the years ahead to prevent the virus of inflation from sapping the strength and impeding the growth of the American economy?

Before trying to answer this, let us look briefly at the nature of the inflation problem as it exists today in the United States.

Causes of Inflation

The threat at present, of course, is creeping inflation. Whether and how long this form of inflation can be held to a creep once it has become chronic, are debatable. For the foreseeable future, however, we are not in danger of a vast monetary expansion. What does concern us is the prospect of a persistently rising trend of prices and living costs over a period of years, plus the possibility that this might eventually lead to something worse.

Economists are busy debating the causes of this trend. There are the "demand-pull' school and the "cost-push" school and in between are integrated schools with some pull and some push. There is much talk about "administered prices" and counter - talk about "administered wages." Monetary economists are having a ball analyzing the role of nonbank lenders—known in the trade as nonbank financial intermediaries.

And plenty of non-economists have gotten into the act. Some contend that rising prices result from profiteering by monopolistic industries. Others blame wage demands by monopolistic unions. Many deplore governmental policies of one kind or another.

Despite this babel, there is nevertheless widespread agreement among informed observers that two of the most virulent inflationary factors in our economy today are (1) the financial operations of the Federal Government and (2) the wage-cost-price spiral. Let us consider what we are up against in these two areas.

Our Fiscal Problem

Our fiscal problem is much tougher than it has ever been before in our history because of the magnitude of the Federal budget and the high level of taxes it entails. The best solution would be to liquidate Comrade Khrushchev and Company but this does not appear to be feasible at the moment and may not be for some time. Consequently, we must learn the art of gracious and noninflationary living with a huge budget and high taxes.

A Federal budget the size of ours today is inflationary even when it is in balance. During periods of prosperity, therefore, what is needed is not merely to balance the budget but to achieve substantial budgetary surpluses.

This will obviously take a lot of doing. The pressures for public spending are very great and the pressures for tax reduction whenever a budgetary surplus shows its head, are just as powerful.

In recent years, indeed, legislators seem to have become increasingly adept at concocting appealing plans for spending public funds. Most of these proposals are strongly backed by groups that will benefit from them and opposition is unorganized and weak. Many of them are for socially desirable purposes—for education, housing, airports, redevelopment, and the like. Unfortunately, however, the matter of paying for these programs either by taxation or else by inflation — and these are the only aternatives—is not squarely faced.

One reason is that Congress enacts appropriation bills with little consideration of their relationship to the overall budget picture. Congress never votes on a budget and never formulates a real budget policy. Efforts to remedy this situation meet firm resistance from Congressional committees jealous of their prerogatives with respect to appropriation bills.

Another difficulty is that many people regard Federal fiscal policies as being an important means of combating or avoiding unemployment and of stimulating economic growth. This will often cause disagreement as to just what our budget policy should be at any particular time—as is the case right now, for example.

Clearly, however, we should not come to rely upon an inflationary budget policy as a permanent prop to our economy. This would not only lead to inflation but would seriously interfere with economic growth.

Over a period of years, we should use fiscal policy as a means of offsetting, not reinforcing, inflationary pressures in the private sectors of our economy. We obviously have a long way to go to achieve this goal.

The Wage-Cost-Price Spiral

The wage-cost-price spiral is perhaps even more formidable. Looking back, it is evident that this has been a major inflationary force in our economy not just in recent years but during the war and postwar years as well. It has now become ingrained in our economic life. The fact that it lost so little of its momentum during the 1958 recession, shows what a tough problem we are up against.

Many of us used to hope that monetary and fiscal policies might suffice to achieve price stability. We hoped that when the inflationary pressures arising from World War II and the Korean War had spent their force, the wage-cost-price spiral would disappear.

Well, it hasn't. We can now see that if inflation is to be halted, something must be done directly to stop this spiral. We would much prefer, of course, to have business and labor leaders do this themselves. However, if they cannot, then, since this is a problem that vitally affects the welfare of all Americans, we have no choice but to tackle it ourselves.

The basic reason why this spiral is so difficult to deal with is that it has become imbedded in the functioning of our free economy. Union officials are under strong compulsion to seek sub-

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*An address by Dr. Adams before the New Haven Chapter, American Institute of Banking, New Haven, Conn., Feb. 21, 1959.

Replacing Our Export Policy With U. S. Investments in Europe

By IRVIN F. WESTHEIMER
Westheimer & Company, Cincinnati, Ohio

Cincinnati investment-banking head delivers a country-by-country analysis of Western Europe's attractiveness to American investor, and counsels overcoming European declining interest in U. S. manufactured goods by erecting branch plants or entering into licensing agreements. Mr. Westheimer cites data showing good dividend returns of American investments in European common market; advises our future lies in changing our traditional export policy, at least in so far as manufactured goods are concerned, by participating in European industrialization; and hopes impasse between British Free Trade Zone idea and ECM will be resolved so Europe can economically progress.

The countries of Western Europe present an economy of remarkable strength and stability after the elimination of some weak spots during 1958. The soundness of West European economy is well illustrated by the fact that the countries of this area were only slightly affected by the nineteen fifty-eight American recession. In other times, particularly after World War I, a sharp wind blowing from our country would turn into a tempest in Europe. This time, however, industrial production and foreign trade remain on a high level although in most countries of Western Europe the pace of progress in 1958 was a bit slower than in 1957 or 1956. According to the Bulletin of the U. N. Economic Commission for Europe, the value of European exports during the third quarter of 1958 was only 2% under the level of 1957. If we consider the decline in prices for many raw materials, it is safe to say that the volume of European exports in 1958 exceeded that of the good year 1957.

Irvin F. Westheimer

It is reasonable to expect that the further economic development of Western Europe will go slower than during the period of 1950-57 when Europe's Gross National Product (GNP) increased 88% compared to our 49%.

France

The political situation in France and Western Europe has improved with the success of General De Gaulle. Economically, France during the 1950-57 period has been much sounder than politically, industrial production increasing, even booming, unemployment almost nonexistent. But the political instability, the frequent changes of governments, the Algerian rebellion has had bad effects on the French economy, in particular on the monetary situation. At the beginning of 1958 the picture was rather dark. Gold and currency reserves dwindled and in order to secure the necessary imports of raw materials for her industry, France had to borrow from the International Monetary Fund, the European Payment Union and United States, credits which totaled more than $600 million. Now, thanks to the political consolidation and the replacement of a weak parliamentary system by a stronger paternalistic and authoritative government, the economic situation has substantially improved. At the end of 1958 France's gold and currency reserves amounted to more than $1 billion, a gain of $360 million during the second half of 1958. The spectacular success of the 3½% loan offered for subscription from June 17 to July 12, 1958, evidenced the return of the people's confidence. Total subscriptions reached 320,000,000,000 francs ($762,000,000) of which 70,000,000,000 francs came from the sale of gold. It was a most unusual sight to see Frenchmen carrying suitcases full of hoarded gold to the banks to sell against loan subscription. It can be mentioned, too, that the recent devaluation of the franc by 17½% has not resulted in strikes for higher wages nor social or political unrest.

There were some fears that with General De Gaulle at the helm, French nationalism might awaken and would have deteriorating effects on relations with other countries, in particular West Germany. These fears are today dispelled. After the meetings between De Gaulle and Dr. Adenauer, the German Chancellor, German-French relations are more cordial than ever before and in some diplomatic quarters in Europe there is much talk of a Paris-Bonn "axis."

West Germany

Despite his 83 years, Dr. Adenauer has so far shown no inclination to leave the political scene. Political conditions in West Germany remain sound and the shadow of the Berlin question has disturbed neither political nor economic optimism. Even the socialist opposition must admit today that the economic policy of liberalism and free enterprise, vigorously supported by the Chancellor and Dr. Ludwig Erhard, his very capable Minister of Economy, has been correct and that in West Germany there is no room for any socialistic experiences.

The West German economy remains on a firm basis although the rate of increase in 1958 was slower than in 1957. In some sectors industrial production was very satisfactory. In the automobile industry production reached the million mark against 790,000 cars in 1957. An output of 1,100,000 TV sets almost doubled production of 1957. There are some weaker spots in the steel, coal and textile industries. The coal situation with 13 million tons on stockpile inspires some concern.

Foreign trade was good with a total value of DM 68,000,000,000 ($16,200,000,000) leaving Germany with a handsome trade balance surplus of DM 6,000,000,000 ($1,500,000,000). Trade with the United States exceeded expectations thanks to the fact that the recession had little effect upon the market of consumer goods which remained strong.

The chronic active trade and payment balances have enabled the German Government and private investors to enter the field of international banking, in the past reserved to France or Britain. The practical effect was a sort of foreign aid program to an amount of nearly $200 million. The net outflow of German capital, public and private and including payments on the West German restitution obligation to Israel amounted to some $800 million.

Great Britain

Great Britain can be satisfied with the present trend of her political and economic situation. While in the fall of 1957 the government believed it necessary to use a "credit squeeze" to fight against inflationary pressure and to protect the pound, the situation has changed substantially when during the closing months of 1958 a dramatic revival took place in Britain's export trade. The change began in September when the decline in exports was halted. By November there was an increase of 1½% over 1957. On New Year's Eve the "Financial Times" industrial shares index rose 1.8 points to 225.5, the highest point in history. The previous top was 223.9 points on July 21, 1955. The currency measures taken at the end of last year with the aim to make the pound fully convertible, have confirmed again the dominant role of sterling in international trade. The pound still is the principal international currency, financing half of the world's trade.

Italy

At the beginning of this year Italy faced a change of government. Signor Amintore Fanfani who became Prime Minister and Minister of Foreign Affairs after the general election of May, 1958, was compelled to resign. The reasons were more personal than political. In fact, Signor Fanfani did not have many friends even in his own, the Christian Democratic Party. It was felt that he exercised too much personal power as had Mussolini, being President of the Council, Foreign Minister and General Secretary of his party. He was also criticized by the right wing of his party for having made to many concessions to the Social democrats, the left wing partner in his coalition cabinet and even played with the idea of enlarging the narrow basis of his coalition government.

The crisis is now over as a new President of the Council has been found in the person of Antonio Segni, member of the Christian Democrats and a former Prime Minister. Segni will probably preside over a government exclusively formed by members of the Christian Democrats leaving to the other parties the responsibility to sustain or overthrow his government which will be "middle-of-the-road," friendly to Italy's western allies. Segni is an experienced statesman of moderate views.

In any case, the recent governmental crisis has had little effect on Italy's economic activities which remain on a sound basis. During the past year, Italy's industrial progress was not as hectic as in the preceding years of 1957 and 1956. Business, domestic as well as foreign was satisfactory and indications are that this trend will continue during the following months. In several sectors, for example automobile production, the results of last year exceeded expectations. Automobile production with 405,000 units was 15% higher than in 1957. 40% of this production was exported compared with 30% in 1957.

Italy's reserve of gold and currency exceeded $2,000,000,000 for the first time in 1958 with an increase of $670,000,000 during the year. Although the trade balance remains passive, the balance of payments is active thanks to about $450,000,000 received from tourism. 15,000,000 foreign visitors came to Italy last year, among them more than 800,000 Americans. The Municipal Council of Rome has approved the building

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Early 1959: A Good Time To Invest in Money

By ROBERT M. MacRAE
Seattle, Washington

Shares in excess of 15 times earnings is the borderline between "gambling" and "intelligent speculation" according to Seattle writer who probes vulnerabilities said to be underneath popularly heralded strength factors. Mr. MacRae calls attention to 1929 prices for electric utility shares, and other examples, to show tremendous subsequent industry growth need not mean still higher stock prices. He also compares price trend developments in late 1920s with today's, and concludes best values are in bonds—as a class—yielding 5% taxable and 3½ to 4% tax free.

Speculation has been a part of our way of life almost since the dawn of time. Much of what we today consider to be only sound business practice is, in a way, speculation, for to successfully carry on a normal business enterprise requires a lot of "good guessing" on what the future has in store. The difference between speculation and gambling is not always too clear but generally speculation assumes a fair amount of calculated risk whereas gambling is almost pure "chance." Presently, there appears to be developing an undue amount of gambling in our security markets.

Robert M. MacRae

The present Bull Market dates back to 1949 and though there have been several sharp "corrections" during this long period, the persistence of this uptrend has, especially during 1958, been widely acknowledged in "Main Street" as well as "Wall Street." The profits that "could have been made" are so enticing in hindsight that there seems to have developed a belief that a utopia lies ahead for anyone who will transfer dollars for shares. Actually this high optimism is not coming in large measure from the so-called informed investors but rather from the activities of the new legions of American investors who would have considered stock purchases a highly risky operation only a few years ago and at a time when stocks were available at much under today's prices.

Two main forces have built up this highly optimistic feeling. One is the belief that the rapidly growing American population guarantees an ever increasing market for industry. The other factor is inflation. Though on the surface there may be some justification for these beliefs, experience has shown that highly obvious factors are seldom reliable speculative guideposts. Beneath these two widely admitted factors are others less obvious and less understood which could rudely undermine a lot of today's optimism. Some of these less favorable are the declining profit margins showing up in almost every industrial operation, increasing unemployment, foreign competition and the inability of our government to finance the formidable and ambitious programs which too many well intentioned people now take entirely for granted.

Gambling vs. Intelligent Speculation

Back in 1929 there was the "New Era" and much of the same arguments made today were heard then. The population growth was given then, as now, as a guaranteed future market. In every year since 1929 the population did increase but the depression of 1932 to 1939 was no respector of this factor. Nineteen-twenty-nine accurately foresaw the coming "electrical age" yet many electrical utility company shares reached prices in 1929 that have never again been attained even though the fantastic growth in electric power consumption has gone beyond the fondest hopes of 1929 investors. More recently, in 1946, the public enthusiasm for commercial aviation correctly foretold the coming "air transportation age" which has nearly eliminated railroad passenger transportation. Yet, today, after this new industry has proven its position beyond any doubt, most air transportation shares are selling for much less than 1946 prices. A successful stock purchase, therefore, requires as a basic qualification that the shares be bought for less than their relatively near term future worth. To pay prices well in excess of 15 times present earnings or at most the next year's expected earnings may be the point where "gambling" takes over from "intelligent speculation."

Unfortunately, gambling can be profitable—for awhile. Once, however, caution and good judgment is cast aside, it makes little difference how many successful "gambles" are taken, sooner or later will come the fatal mistake and all the previous winnings will be handed over in "tribute to the Gods of chance."

The successful launching by Russia of its "Sputnik" in October, 1957, probably did more to unbalance the 1958 Federal budget than any other one factor. The $12 billion Treasury deficit that has followed has done more to undermine American confidence in its own financial future than the most hopeful Russian propagandist could have wished. To a nation of people that uses credit in almost every phase of its daily existence and to a government that is sorely pressed by a fantastically large short-term national debt, no more serious blow could have been struck by a foreign power than to create this widespread distrust in the American currency's future value. This financial debacle may have been triggered off by the "Sputnik" but the dangerous position was really the result of many years of ill-advised financial practice for which political Washington must accept the blame.

Treasury's Financing Problems

Money is worth its hire and that hire, even in an atmosphere of sound economic background, is worth more than the 2½% offered by the U. S. Treasury on so much of its postwar financing. However, in a false attempt to lower the carrying costs of an ever increasing national debt and to assist the "vote-important borrower" against the position of the "saver," interest rates were artificially set far below money's true worth. The final realization of this truth was realized this past Fall when the newly issued U. S. Government 3¼% bonds fell over 10% in value in a matter of months. Since then, the government of the world's richest nation has had to limit its financing to issues with the shortest of maturities — mostly less than even one year.

Reckless government spending and unwillingness of Washington to face the nation with needed tax increases has created the fear of inflation. It is strange, however, to note that basic commodities—those that would be most affected by any truly imminent devaluation of the dollar—are lower in price today than at any time since 1950. This is true internally as well as internationally. Strange, too, is it that a similar price trend developed in the late 1920s even while stock prices were soaring to then record heights. It is really the "fear of inflation" — not the actual existence of a rapidly increasing inflation today—that is causing investors to pay high prices for stocks and real estate —many of which are not inflation hedges at all. Therefore, if "they" should see come to pass what they "fear," they will lose having already paid "too much." If this radical inflation is forestalled their losses will then be even greater. All of this only brings back the simple truth—value must be received for the dollars that are spent or a loss will surely ensue.

Recommends Bonds

Though 1959 seems destined to be a rather full "gross volume year," there are sound reasons to believe that the constantly decreasing profit margins will make the final net earnings well below many present estimates. Most stocks, therefore appear too high for sound investment consideration and though the "gambling profit mirage" may carry these favorites to even higher levels, the risk of success seems heavily against today's buyer. At any market level, be it the highs of 1929 or 1958, there are always some issues that offer good values and a few of these are still to be found today. As a class, though, the best values today are in bonds that are available at the lowest prices in 20 years to yield nearly 5% taxable and 3½% to 4% tax free.

The present business recovery is still far from complete and should it—as it well could—prove to be false, a stock market reaction of at least 100 to 150 points would be fully possible. This is not a pleasant thought to consider but the only real protection against such a development is to have sold a substantial part of one's holdings prior to the break. This involves the risk of missing the future gains that may lie ahead but unless one can truly say he is not concerned or interested in year to year price fluctuations, he must have some rules of conduct to follow.

The one commodity that seems to be scarce and in constant demand by government, business and people is "money." Early 1959 seems like a very good time to "invest in money."

W. P. Keating With Filor, Bullard Firm

William P. Keating has become associated with Filor, Bullard & Smyth, 26 Broadway, New York City, members of the New York Stock Exchange, as manager of their newly opened mutual fund department.

With Stone & Webster

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald F. Roche has become affiliated with Stone & Webster Securities Corporation, 49 Federal Street. He was formerly with North American Planning Corp.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—William D. Dabney is now connected with Dean Witter & Co., 409 Fourteenth Street.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter No. 45—Commenting on effects of AEC grants to colleges and universities, on radiation instrument industry, and discusses **Salem Brosius, Inc.**—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Bache Selected List—Booklet on securities with suggestions as to buy-sell-hold—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are two suggested portfolios and a bulletin on **Copper.**

Base Metal Stock Index—Data on 15 companies—Draper Dobie and Company Limited, 25 Adelaide Street, West, Toronto, Ontario, Canada.

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

Canada and the United States—Study of population growth—Bank of Nova Scotia, 44 King Street, West, Toronto, Canada.

Capital Gains in Stock of Life Insurance Companies—Analysis covering 60 companies and specific recommendations—Ralph B. Leonard & Company, Inc., Dept. CHRON 3-5, 25 Broad Street, New York 4, N. Y.

Chartered Banks—Analysis—Leggat, Bell, Gouinlock Ltd., 414 St. James Street, West, Montreal, Canada.

Inflation Without Inflation?—Review—C. F. Childs and Company, 1 Wall Street, New York 5, N. Y.

Inflationary Spiral—Discussion—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also in the same circular is a list of electronics stocks which appear interesting.

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

Japanese Warehouse Industry — Survey — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same monthly report are discussions of the 10 Japanese stocks considered favorites for 1959 and data on **Daiichi Bussan, Mitsubishi Shoji** and **Marubeni-Iida.**

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.

Profit Opportunities in Convertible Bonds—Special Report on request—R. H. M. Associates, Dept. CF-2, 220 Fifth Avenue, New York 1, N. Y.

Railroad Income Bonds—Comparative figures—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Real Estate Bond & Stock Averages—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y.

Tax Exempt Bond Market—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

* * *

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

Allis-Chalmers Manufacturing Co. — Annual report — Shareholders Relations Dept., Allis-Chalmers Manufacturing Co., 1125 South 70th Street, Milwaukee 1, Wis.

American Marietta Company—Annual report—American Marietta Company, Dept. 40, 101 East Ontario Street, Chicago 11, Ill.

American Motors—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

American Motors—Analysis—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich.

Atchison, Topeka & Santa Fe Railway—Review in "Current Comments for Investors"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is a survey of **Hammermill Paper Company** and some selected lists of stocks. In the current issue of "Market Pointers" there is a study of **Dollar Averaging** and reviews of the **Building and Construction** and **Railroad Industries.**

Baltimore & Ohio Railroad Co.—Data—Oppenheimer, Neu & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **Bath Iron Works Corporation, E. I. du Pont de Nemours & Co., Kerr McGee Oil Industries, Rayonier Incorporated** and **Reynolds Metals Company.**

Bethlehem Steel Corp.—Memorandum—William Norton & Co., 9 Maiden Lane, New York 38, N. Y.

Chicago Title & Trust Co.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill. Also available are memoranda on **Clark Oil & Refining, Detroit Harvester Co., Draper Corp., Permanente Cement Co., Public Service Co. of New Hampshire** and **A. E. Staley Manufacturing Co.**

Citizens & Southern National Bank—Card memorandum—The First Boston Corporation, 15 Broad Street, New York 5, N. Y.

Commercial Credit Company—47th annual report—Commercial Credit Company, Baltimore 2, Md.

Controls Co. of America—Memorandum—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 2, Wis.

Cosmopolitan Life Insurance Co. — Memorandum — Carlson & Co., 2023 First Avenue, North, Birmingham 3, Ala.

Diamond Alkali Co.—Memorandum—R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

Dominion Foundries and Steel Ltd.—Analysis—McLeod, Young, Weir & Company, Limited, 50 King Street, West, Toronto, Ont., Canada.

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

Ferro Corporation—Review—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Standard Oil Company of Kentucky** and **Tennessee Corporation.**

General Telephone & Electronics Corporation—Review—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Great Universal Stores — Analysis — W. I. Carr, Sons & Co., Gresham House, Old Broad Street, London, E. C. 2, England.

Great Western Oil & Gas Co.—Memorandum—Berry & Co., 240 West Front Street, Plainfield, N. J. Also available is a memorandum on **Haydu Electronic Products, Inc.**

Halliburton Oil Well Cementing Co.—Memorandum—Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

Interstate Engineering Corp. — Memorandum — Roosevelt & Gourd, 37 Wall Street, New York 5, N. Y.

Kennametal Inc.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Kern County Land Co.-Walker Mfg.—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is a memorandum on **U. S. Plywood.**

Link-Belt — Data in current "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. In the same issue are data on **ABC-Paramount** and **Pabst Brewing.** Also available is a circular containing data on **Witco Chemical Company, Olin Mathieson, John Morrell & Company, Cudahy Packing Company, Lykes Bros. Steamship, Grayson Robinson Stores, Borman Food Stores, Inc., Chicago Pneumatic Tool Co.**

Magnavox Company—Report—A. G. Becker & Co. Incorporated, 120 South La Salle Street, Chicago 3, Ill.

Massey Ferguson Ltd.—Memorandum—Charles King & Co., 61 Broadway, New York 6, N. Y.

McDonnell Aircraft Corporation—Analysis—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

John Morrell & Co.—Analysis—Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill.

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

National Western Life Insurance Co. — Analysis — Copley & Company, Independence Building, Colorado Springs, Colo.

Pennsalt Chemicals—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a report on **Combustion Engineering Inc.**

Philips Lamps — Memorandum — Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill.

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

Puget Sound Pulp & Timber Company—Report—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Republic Natural Gas—Report—First California Company, Incorporated, 300 Montgomery Street, San Francisco 20, Calif.

Rose Marie Reid — Memorandum — First Angeles Corp., 8929 Wilshire Boulevard, Beverly Hills, Calif.

Signode Steel Strapping Co.—Analysis—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

Super Food Services, Inc.—Memorandum—Wm. H. Tegtmeyer & Co., 39 South La Salle Street, Chicago 3, Ill.

Textron, Inc.—Analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Tractor Supply Co.—Analysis—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is a memorandum on **Wisconsin Bankshares Corp.** and reports on **Paragon Electric Company** and **Texas Natural Gasoline Corporation.**

Tung Sol Electric Incorporated—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is the current issue of "Pocket Guide" with suggested lists of stocks in various categories.

Walt Disney Productions—Data—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

A. U. Fox Partner in Hayden, Stone & Co.

A. U. Fox has become a general partner in the investment firm of Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

A. U. Fox

Mr. Fox was formerly a director and Vice-President-Treasurer-Secretary of the American Thread Company. During World War II he was associated with the United States Treasury Department in Washington and Germany. Prior to that, he was engaged in commercial banking in Japan with the First National City Bank of New York and in investment banking in the Far East with Swan, Culbertson & Fritz.

Balfour Named for Rutgers Trustee

Henry H. Balfour, senior partner in Orvis Brothers & Co., New York brokerage house, has been nominated for a five-year term as an alumni trustee of Rutgers University at the annual Midwinter Alumni Day of the Rutgers Alumni Association.

Mr. Balfour's nomination, which is tantamount to election to the State University's Board of Trustees, took place at the meeting of the Alumni Council.

Brown Bros. Harriman Add

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Eugene L. de Penaloza is now connected with Brown Brothers Harriman & Co. Mr. de Penaloza was formerly with Counselors Research Corporation and prior thereto with Edward D. Jones & Co.

COMING EVENTS

In Investment Field

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

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

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

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

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

May 19-20, 1959 (Omaha, Neb.)
Nebraska Investment Bankers Association annual field day.

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

Oct. 22, 1959 (Cincinnati, Ohio)
Ohio Group of Investment Bankers Association annual fall meeting.

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

As I See the Market

By ALPHEUS C. BEANE*
Directing Partner, J. R. Williston & Beane
Members New York Stock Exchange

Mr. Beane stresses importance of investor working under a consistent plan, including segregation of speculative and investment accounts. Asserts while present high market is fraught with danger, nevertheless, opportunities exist in some blue chips that are temporarily out of favor, as the oils; and in smaller companies whose capitalization is too small for the large institutional investor. Stressing the restrictive nature of the capital gains tax, offers specific novel proposal for change in years 1959-1960.

I strongly commend efforts to teach investors more about the securities they own and to teach all savings bank depositors, insurance policy holders, beneficiaries of pension funds, and other indirect investors that they are shareholders in American business. If this can be accomplished, we will have made a great contribution to our way of life. No person will support crack-pot, socialistic, anti-business schemes, if he realizes that by so doing, he is undermining his own savings account, his own insurance policy, his own pension, yes, even the funds invested by his own union. These people are capitalists just as surely as are the owners of a thousand shares of IBM.


Alpheus C. Beane

Importance of a Plan

The one most important thing for every investor is to have a plan, a plan which meets the needs of his or her particular situation. Regardless of whether or not it may be the best one, a plan will always produce better results than haphazard buying and selling of securities.

Before you set up your plan, it is important that you differentiate between **speculation** and **investing**. Webster defines **speculation** as "engaging in hazardous business transactions for the chance of unusually large profit." He defines **investing** as "converting into some form of wealth other than money, usually in a more or less permanent form and as a means of obtaining income or profit."

I like to think that we work and **speculate** to make money and that we **invest** to protect what we have already made. And by protecting, I mean the protection of our purchasing power.

Speculation is a dangerous occupation. Success requires almost complete devotion and full energies. I therefore, suggest that most of your holdings should be of investment quality. All of us like to take a chance in the hope of making a big profit. This can be dangerous, for, without control, funds which should be devoted to investment can end up in speculative securities.

To avoid this unhappy situation, I have for many years maintained two personal accounts: a small one for speculating; a large one devoted to investment funds. The **two should never be mixed.**

Today's Market

A word now, about today's market. The stock market is at a new all time high; the bond market is in the most depressed condition that it has attained in over 25 years. What has caused this situation? To me the answer is clear. In the recession year of 1957, politicians of both parties clamored to spend ourselves out of the recession. These cries endangered the value of the dollar. With both political parties looking for ways to spend money, there was no one left to protect the dollar. As this became clear, more and more investors chose equity securities over bonds or dollar securities. Since there has been so little equity financing in recent years, the demand exceeded the supply and prices rose rapidly. In 1957, for example $10 out of $12 billion of new capital raised by corporations was in the form of debt . . . largely because more favorable tax treatment is given to interest than to dividends.

Still a third reason for this shortage of equities has been the unwillingness of so many investors to sell securities because of the almost confiscatory capital gains tax.

What type of investment plan is suitable in today's markets? Prices are obviously high. Many stocks are selling at prices which discount substantial earnings growth over the next few years. There are still no indications that the bull market has run its course.

Inherent Danger

Such situations, I feel, are fraught with danger. But there are many companies whose stocks are selling at prices well below highs of previous years and on a sound time-earnings basis. There are two broad groups: (1) The blue chips, such as Standard Oil of New Jersey and other oils which are out of favor at the present time; (2) Good, small and medium size companies whose capitalization is too small for the large institutional investor and whose common stocks have not had the tremendous advance that has occurred in the better known growth issues.

Let me emphasize one point: I see no real reason for individual investors to try to compete with the institutional buyer for big name growth securities. There are other good stocks which will fit individual requirements but which, for no reason other than size, are unsuitable for institutional investors. The individual investor has far different needs than the investment fund.

Because of the high level of so many equities today, I believe that a sound plan is to have half of your funds in good tax-exempt or corporate bonds — the exact proportion to depend upon your individual needs. The other proportion should then be invested in equities of companies which have: (1) Good management. (2) A bright future. (3) A price which has not completely outrun estimated earnings for 1959 and 1960.

Restrictive Capital Gains Tax

Earlier I stressed the restrictive nature of the capital gains tax. This is too important to be fully discussed in this brief discussion, but I would like to make these points.

First the United States is the only country in the free world having a capital gains tax. Many people consider that it is confiscation of property. Be that as it may. All of us know that it impedes, to a dangerous degree, the free flow of investment capital. Many of you know instances where good profits have been turned into losses because of the unwillingness to take a gain and pay the capital gains tax.

Although I do not handle accounts, a specific instance came to my attention just the other day. A client bought 1,000 shares of American Motors at about $33 a share. When the stock approached $43, he wanted to sell and take his $10,000 profit. After his capital gains tax, he would have retained so little in comparison to the risk he had assumed, he decided not to sell. Today the stock has dropped way down; he has a paper loss of approximately $4,000.

The Government will lose revenue and the investor has lost a real profit.

Many of you know other instances where securities are not sold because the tax is too great. **The result is that untold millions of shares are locked in safe deposit boxes by the capital gains tax,** thus making it difficult for new growing companies to obtain new equity capital!

A Novel Proposal

There is a way out, a way in which the Government can receive **more** income from capital gains taxes and, equally important, a plan which will permit a freer flow of investment funds.

Specifically, I suggest that this change be made in the capital gains laws: For the years 1959-1960 the taxpayer will compute his capital gains on the same basis as the present law **until** the tax equals the amount paid as a result of capital gains that he paid in 1958. On all gains above that amount the tax would be 10% regardless of the length of time the security has been held.

This modified tax can be a source of substantial new income to the Government . . . as much as $1 billion a year. The last official figures, in 1950, showed capital gains tax receipts of $1 billion. In 1958 with the great increase in market values, the tax revenue jumped to an estimated $2 billion.

Even this $2 billion of taxes is only 2½% of the $81 billion increase in the value of shares listed on the New York Stock Exchange.

By reducing the capital gains tax to 10%, I believe there would be even more than an extra billion dollars in taxes. There would be the revenue from capital gains from sale of unlisted securities, those traded on other exchanges, real estate transactions, and other forms of investment.

Under this proposal the Government is practically assured that it will receive as much income from this source as it has in the past, and I am fully convinced that the reduction to a 10% tax will bring in substantially more income.

With this trial period the Government will have the opportunity to see whether or not a small tax and no holding period will produce more revenue. If the 1959-60 years prove the point, the tax laws should be changed so that all capital gains are taxed only 10%. This is so important to investors, that I urge you, as a group of responsible shareholders, to take action to effect this change. I believe that, if it can be accomplished, it will help Congress to balance the budget, make it possible for more private funds to flow to the help of new and smaller companies, will free securities of old, well established companies from their present place in the locked box.

*A talk by Mr. Beane before the Federation of Women Shareholders in American Business, New York City, Feb. 28, 1959.

Vincent Newman Co. Formed in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Vincent Newman & Co. has been formed with offices at 231 South La Salle Street to engage in a securities business. Officers are Vincent E. C. Newman, President and Treasurer; B. P. Newman, Secretary. Mr. Newman was formerly an officer of Allan Blair & Co.

James A. Reeves With Hemphill, Noyes Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James A. Reeves has become associated with Hemphill, Noyes & Co., 628 West Sixth Street. Mr. Reeves was formerly with Adams-Fastnow Company and prior thereto was vice president of Akin-Lambert Co.

Bugli Elected V.-P. Of Doremus & Co.

William H. Long, Jr., Chairman of Doremus & Company, New York City, has announced the election of Ralph W. Bugli as Vice-President of the advertising and public relations firm. Mr. Bugli has been special projects director of the agency's public relations division in New York since 1956.


Ralph W. Bugli

Mr. Bugli was Vice-President of the Fred Eldean Organization, national public relations agency, from 1944 to 1953. He later operated his own public relations and business development agency prior to joining Doremus.

Sosland Asst. V. P. Of Eppler, Guerin

DALLAS, Tex.—John W. Turner, President of Eppler, Guerin & Turner, Inc., Mercantile Bank Building, has announced the recent election of Leonard A. Sosland as Assistant Vice-President of this firm.

Mr. Sosland has been associated with Eppler, Guerin & Turner since January, 1955, when he joined the firm as a registered representative. He is manager of the Longview office.

Commonwealth Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Clarence J. Buchwald is with Commonwealth Securities Corporation, 30 East Town Street.

With York & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Delis Manuel has been added to the staff of York & Co., 235 Montgomery Street, members of the Pacific Coast Stock Exchange.

Treating the Real Problems Now Instead of a Future Inflation

By DR. SEYMOUR E. HARRIS*
Chairman, Department of Economics
Harvard University

A harbinger as to what political changes in 1960, if continued as in 1958, can bring to our economic climate is enunciated by leading critic of present Federal Reserve's and President Eisenhower's policies. Dr. Harris contends policies pursued caused the recession (at a cost of $50 billion in three years) by placing price stability ahead of economic growth, full employment and other goals. One of the leading theoreticians of the new school of economic thinking, Dr. Harris favors: (1) tax cuts now instead of waiting until 1960; (2) removing Federal Reserve's independence; (3) increasing government contra-cyclical spending; providing cost of living adjustments for fixed income groups hurt by creeping inflation as the less expensive policy for the economy; and imposing reserve requirements on noncommercial bank financial intermediaries or controlling creation of their major assets—particularly consumer and housing credits.

I

Threat of Inflation Is Overdone

So fearful is the Federal Reserve of a coming inflation that, in the midst of a recession with a recovery of only about one-quarter of the way to the expected peak and with 7% of unemployment, the Reserve raises discount rates in the third quarter of 1958.

Dr. S. E. Harris

And for a year of recession there was no increase of bank reserves to expand the total supply of money and no significant expansion in the excess reserves. In other words, the Federal Reserve has treated a future inflation when the real problem is to treat a recession.

II

Anti-Inflationary Policy and the Recession

Its concern with inflation helped bring about a recession which in a period of three years has cost the country about $50 billion. This recession is in part the result of the restrictions on monetary supply. In part the result of the excess of capacity resulting from an investment boom. But the extent of the excess of capacity depends in part upon the supply of money which influences purchases, and buying was kept down by a vigorous Federal Reserve policy.

III

What Is the Responsibility of the Federal Reserve?

How far is the Federal Reserve supposed to go in voiding the decisions of the millions of employers and 70 million workers who make wage contracts? How far is the Federal Reserve supposed to go in neutralizing or restraining the government in its fiscal poliices? In other words, if the wage and pricing policies and governmental policies tend to bring about higher prices, how far should the Federal Reserve go in restraining these demands and therefore helping to bring on a recession? Undoubtedly, the Federal Reserve has some responsibility, but the question can honestly be raised whether they have not been assuming excessive responsibilities. To neutralize completely the expansionary effects of cost and price policy as well as governmental policy is a responsibility which the Federal Reserve cannot easily undertake and, moreover, is one not likely to be fulfilled.

IV

Cost Push and Inflation

In the past, the Federal Reserve has generally tried to deal with inflation brought on by an excess of demand, that is, an excess of spending in relation to the flow of goods and services, with a resultant rise of prices. But more recently they have had to deal with the cost push.

By the cost push I do not mean merely increases of wage rates. In the last year or so many have exaggerated the contribution of wage contracts to the rise of prices. The Bureau of Labor Statistics has shown that the rise of non-wage costs are relatively as important as wage costs.

By trying to treat the cost push in the orthodox anti-inflationary manner, the Federal Reserve helped bring on and strengthen the recession.

V

Unemployment and Prices

Despite the rise of unemployment, prices continued to rise in 1956-58. In other words, we had neither stability nor high employment, though undoubtedly the Federal Reserve slowed the inflation.

Generally when unemployment develops, unit costs tend to rise; and, therefore, we get not only a rise of wages but an increase in cost due to the lower level of activity. Hence an unemployment policy contributes to inflation in that sense.

VI

Objectives of Policy

The objectives of economic policy are not merely stability, but also growth, equity, security, and the provision of necessary services. It is even conceivable that if defense needs are large and important, services like urban redevelopment are of great importance and are not being met, that an increase of governmental expenditures may be necessary even if this is contrary to the stability objective. Gains must be balanced against losses.

It may be said that the policy of the government now seems to be to maintain stability of prices, even if it means a reduction of output increases to less than 2% a year, as against an attainable figure of 4 or 5%.

VII

Use of Monetary Policy

In 1958, monetary policy as an anti-recession policy was not adequate. The failure to get out of the recession more quickly was partly the result of excessive faith in monetary policy and yet with inadequate recourse to the monetary weapon, and therefore a failure to use fiscal policy, that is, a rise of spending and a reduction in taxes.

Actually from the third quarter of 1957 to the second quarter of 1958 Federal expenditures rose only by $1 billion as against a cut in GNP of $17 billion. A more potent fiscal policy would have brought about a recovery much sooner and cut the costs of the recession much below the $50 billion level. The year 1958 was the time for the tax cut, most likely not 1960, as the President implied. In view of the need of services and the progressive improvement in the economy, the more likely policy would be a tax increase in 1960. Thus we would have the services without jeopardizing stability.

VIII

Correcting for Price Instability

Where the only alternative is, say, a price stability that is attained by a rise of unemployment by 2 or 3 million or more, or therefore at a cost per year of, say, $25 billion, would not a more sensible alternative be to have a rise of prices of 1 or 2% and a saving of these millions of unemployment?

Then in order to deal with this situation, those who are being hit by the inflation should be given special help. Most of the population would gain from full employment and the rising output as well as the increase in productivity. But those who are injured by the rising prices — and the most important group by far are the old who have to live on a fixed income—should be given special help. For example, an increase in the Old Age and Survivors Insurance monthly benefit from $64 to $100 would only cost $3 billion a year in 20 years and perhaps $150 million additional to cover (say) a 2% inflation in the next year. This would be a much more effective approach than bringing on unemployment with its incidence heavily concentrated on 4-5 million unemployed. (Twice as many unemployed at some time in the year.)

IX

Legalizing the Stability Objective

The Federal Reserve increasingly demands a requirement under the Employment Act of 1946 that stability of the currency be one of the fundamental objectives of economic policy. I oppose this particular proposal on the grounds that it would strengthen the hands of the Federal Reserve in their determination to achieve stability at the expense of other and frequently more important objectives. For the same reason, I am not in agreement that the Federal Reserve should be independent. So long as the Federal Government has serious responsibilities in the economic field, it is a great mistake to allow the Federal Reserve to be independent of other Federal policies.

X

Failure to Integrate Monetary And Other Policies

It has become clear that the Treasury does not issue long-term government securities in periods of boom and thus help the Federal Reserve restrain inflation by absorbing excess cash, but issues long-term securities in the midst of recession, as in 1958, and therefore absorbs cash otherwise available to the economy, and delays the recovery. The governmental representatives before the Byrd Committee insisted that it was necessary not to issue long-term securities in the boom because private borrowers wanted the money. This seems like foolish policy, that is, to favor the market at the expense of stability, and especially where stability is held to be the primary objective.

XI

Treatment of Financial Intermediaries

The failure to control the financial intermediaries makes it very difficult for the Federal Reserve to pursue an adequate monetary policy. As the commercial banks are restrained, the financial intermediaries, that is, the insurance companies, savings banks, etc., more than fill the gap. They obtain inactive cash and make it active and therefore tend to increase the total amount of spending. A possible way to deal with financial intermediaries is to impose reserve requirements. Another approach is to control creation of their major assets, in particular consumer and housing credit. But neither the Federal Reserve nor the Treasury, in thousands of pages of evidence, has ever made any suggestions on how to deal with this rather disturbing element in the money or the financial market.

XII

Is Monetary Policy a General Policy?

The defenders of monetary policy hold that it is to be defended because it is a general approach and does not interfere with the allocation of resources. Actually, a dear money policy hits especially schools, government generally, and small businesses against those business units and in particular large corporations that have plenty of cash. In other words, monetary policy is specific in its incidence. Nor does monetary policy deal with the difficulties of the depressed areas.

XIII

What Has Brought About Recovery?

Monetary policy contributed to some extent to recovery but not nearly enough. Indeed, debts to reserve banks were reduced, and this was a stimulative factor. But much more should have been done to expand excess reserves.

The major contributions to the recovery have been first and foremost the automatic reduction of tax receipts and therefore the increase in deficit, with a reduction of income, a result of the changes of our tax structure that took place in the 30s and 40s.

Second, there was during the crucial period a rise of transfer payments of about $5 billion, that is, increased unemployment, old age, etc. benefits. This important contribution to spending was the result primarily of social security legislation in the 30s.

Third, the increase in wage rates inclusive of the Federal increase of pay in 1958, part of which was retroactive, increased the spending stream.

Fourth, the increase in government spending, which was slow in coming and insofar as it was effective was more largely the result of state and local, rather than of Federal, spending, was a factor. The recovery would have been more rapid had the Federal Government in 1958 been more aggressive in its tax and spending policies.

XIV

Is Inflation Primarily Caused by Government Deficits?

I have shown in my paper that this is not so, at least in peace times. There is no clear relationship between the extent of price increase and the amount of government surplus or deficits from 1955 to 1958. But there is evidence that the rise of business spending in relation to business savings and of consumer spending in relation to consumer savings were important factors tending to bring about a rise of prices.

XV

In Conclusion

In boom periods, excessive recourse of monetary policy accentuates the decline; in recessions, fear of impending inflation delays the recovery with losses of tens of billions to the economy. Stability is a worthy objective of policy, and we should seek to achieve it. But employment, growth, security, and sensible spending patterns are also worthy objectives.

*A summary of a statement by Dr. Harris before The Joint Congressional Committee on the Economic Report on Monetary Policy, Washington, D. C., Feb. 7, 1959.

With L. A. Caunter

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Robert J. Grace is now with L. A. Caunter & Co., Park Building.

Joins E. N. Siegler

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Edwin E. Schwerin has become connected with Edward N. Siegler & Co., Union Commerce Building, members of the Midwest Stock Exchange.

With Commonwealth Secs.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Eston W. Stuart is now with Commonwealth Securities Corporation, 30 East Town Street.

Joins Midland Investors

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Russel G. Means, Jr. has joined the staff of Midland Investors Company, 52 East Gay Street.

With Brown, Madeira

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Stephen D. Bull, Jr. has become affiliated with Brown, Madeira & Co., of New York.

With E. I. Hagen

(Special to THE FINANCIAL CHRONICLE)

VANCOUVER, Wash.—Niels W. Futtrup is with E. I. Hagen & Co., 818 Broadway.

With Murray Hill Inv.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Lewis E. Golas and Inaba Leland are now with Murray Hill Investment Co., 1435 South La Cienega. Mr. Golas was previously with Daniel D. Weston & Co.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Doyle H. George has joined the staff of Walston & Co., Inc., 210 East First Street.

Where Commercial Banks Err In Attacking Savings Banks

By GROVER W. ENSLEY*
Executive Vice-President
National Association of Mutual Savings Banks, N. Y. City
Former Executive Director of Congressional Joint Economic Staff

Savings banks' spokesman trenchantly arraigns economic fallacies and unsupportable arguments said to be levelled against mutuals by commercial banks. Dr. Ensley favors tax liberalization for commercial banks, but he: (1) charges proposed tax on mutuals is unwarranted and would cost more in savings-loss than gain in tax-revenue; (2) rebuts new monetary theory that would impose similar financial controls such as reserves—on both institutions; (3) denies competition has affected accusant's capital position or ability to attract savings; (4) finds misleading the references to "12% bad debt reserve"; and (5) quotes Reserve Governor there is no obstruction to Federal Reserve monetary policy. The economist avers these attacks do not solve country's basic economic problems, and he prescribes joint attack on inflationary bases.

The American economy has undergone fundamental changes in the past three decades and so has our understanding of basic economic processes. We have emerged from the great depression of the '30s and World War II into an era of prosperity and overall economic well-being that could hardly have been foreseen in earlier years. Wide acceptance of the theory of economic stagnation has given way to recognition of dynamic economic growth. Accompanying these basic changes in economic development and thinking has come a new and broader appreciation of the vital role of thrift and of savings institutions. There are few thinking men today, in contrast to earlier periods, who would deny that thrift and a healthy thrift industry are essential to meet the capital needs of our expanding economy. Their importance to a stable price level is equally clear. The President, in his recent State of the Union Message, expressed this thought well when he said:


Grover W. Ensley

"Thrift is one of the characteristics that has made this nation great. Why should we ignore it now? We must avoid any contribution to inflationary processes, which could disrupt sound growth in our economy."

The New Interest in Thrift Institutions

Partly because of the re-emergence of monetary policy as an effective stabilization tool, and partly because of the rapid postwar growth of financial institutions, our nation's financial structure is undergoing critical reexamination. It is being conducted on the campus, in private research organizations, and by government agencies. From this process of intellectual ferment new facts and theories are already being developed, and ultimately new financial legislation may also emerge. We in savings banking welcome—as I hope the entire thrift industry does—this renewed interest in, and searching study of, the role of financial institutions and are prepared to support constructive proposals for an improved financial system.

We are cooperating with the newly established CED Commission on Money and Credit in their long-range study of financial institutions and monetary and fiscal policies. Some 50 years earlier the investigations of another Monetary Commission, sponsored by the U. S. Congress rather than a private organization, were basic to the eventual establishment of the Federal Reserve System. Whether the findings of the present Commission — together with those of other groups and individuals—will result in equally important financial changes, no one can tell. In any event, we can be sure that the role of thrift institutions will be thoroughly examined in the course of the Commission's study.

Significantly Changed Role

In our own industry, the role of the mutual savings bank has changed so rapidly in recent years that there are still many observers who are unaware of its increasing national significance in capital markets. As recently as 1951, for example, savings banks had considerably less than $1 billion invested in mortgages outside of the 17 states in which they operate. Of this amount only about $30 million was invested in California mortgages. The volume of these investments has grown markedly in the past seven years or so to over $4½ billion in all non-savings bank states, and to well over $1 billion in California alone. A considerable amount of these California mortgages are being serviced by the savings and loan industry. It is important to note, incidentally, that because our out-of-state mortgage investments are limited to FHA and VA loans, savings and loan associations have been enabled further to concentrate their attention on conventional mortgage lending, an area in which they are the recognized leaders.

While we welcome the objective study of scholars and of impartial agencies, we recognize the dangers implicit in misguided academic theories, as well as in partisan positions taken by some competitors under the guise of objectivity. Each must be countered by reasoned argument showing the basic soundness of the mutual thrift industry and its importance to the achievement of sustained economic growth.

Answers Commercial Banks

To our friends in commercial banking, may I say that it would be unfortunate in the extreme to seek competitive advantage by attacks designed to weaken, if not destroy, the mutual thrift system. There is ample room in our economy for all of our various types of private financial institutions—each performing unique functions to the total benefit of all. In many broad areas, mutual thrift institutions and their competitors have common interests and goals. We are all concerned, for instance, with the inflationary pressures that intermittently threaten the economic progress of our nation, and we are all seeking ways to maintain the integrity of the dollar. Moreover, each of the main types of financial institutions depends on the vitality and soundness of the others. Ill-considered and intemperate attacks on any type of mutual thrift institution can do much harm, not only to the entire thrift industry, but to the financial community at large.

Many of our commercial banking friends are "Johnny-come-lately's" to the thrift business, having belatedly recognized the importance of thrift, the growing strength of the thrift industry, and the attractive opportunities for growth it affords to institutions providing thrift services. Further, so long as savings remain a relatively inexpensive and profitable source of loanable funds, competition is likely to remain strong. Those who have been dedicated to thrift for nearly a century and a half have nothing to fear from new, hard, honest competition in the market place. It is in the tradition of the free private enterprise economy. Let the individual choose his outlet for savings from among the several types available, but let him do it without being confused by spurious argument and attack by one type of institution on the other.

The Main Questions at Issue

From the cross-current of discussion and controversy, there seem to have emerged three main questions, relating to mutuality itself, taxation, and monetary controls.

Mutuality. Some of the attacks to the effect that the mutual form of business organization is alien to a private enterprise economy need hardly be dignified by an answer. Mutual endeavor is as old as the nation itself and is at the heart of the democratic process. Mutual thrift institutions have been serving the same worthy objectives in fundamentally the same way for close to 150 years. Services have been modernized and techniques improved to serve the American saver more effectively, but the goal of encouraging thrift remains the same. If this goal is un-American, then so is apple pie.

The contention, moreover, that mutual ownership of financial enterprise provides an unfair competitive advantage over stock-type institutions and is so to speak, driving commercial banks to the wall also is hardly borne out by the facts. To be sure, mutual financial institutions have had a spectacular growth since the end of World War II, with savings deposits at mutual savings banks, and share accounts at savings and loan associations and credit unions expanding by two and a half times. During this period, however, the commercial banking system has also been strengthened. Earnings have been good as reflected in dividends paid to stockholders and in the marked advance in bank stock prices to well above book values. Favorable opportunities have thus been offered to obtain new capital by stock flotations and thus provide the capital base for future growth.

Moreover, even in the area of thrift, commercial banks still hold a much larger absolute amount of funds in time and savings accounts than do either savings and loan associations or mutual savings banks. The effectiveness of the vigorous pursuit of savings by commercial banks in recent years is shown by the fact that they increased their share of the total flow of individual's savings from one-sixth in 1956 to well over one-third in 1957 and to two-fifths in 1958. The 1958 increase in commercial bank savings deposits was the largest on record. Commercial banking, therefore, would hardly seem to be characterized by ill-health, either from the standpoint of their capital position or their ability to attract savings.

Taxation. The second question at issue in current financial discussion is the broad one of taxation. It is a question that merits the thoughtful and unbiased consideration, not only of those directly involved, but also of all citizens concerned with the sound growth of our national economy. It calls for discussion on the high plane of economic and political statesmanship, not on the low plane of misleading advertising slogans such as "tax equality."

In my view, the correct approach to this matter is reflected in the statement of a Congressional Subcommittee on Fiscal Policy, headed by the Honorable Wilbur D. Mills, now chairman of the tax-originating House Ways and Means Committee.

"The basic problem (of inflation) is an inadequate level of savings out of current income. An ever-increasing volume of real savings is needed to meet the economy's requirements for replacement of plant and equipment under inflated prices and for growth based upon full exploitation of rapid technological advances. **Fiscal and monetary policies should be directed towards encouraging a higher level of voluntary real savings under the present conditions of inflationary pressure.**"

The tax status of mutual thrift institutions and commercial banks must be resolved in the light of these considerations. Any ill-conceived increase in taxes imposed on thrift institutions would hinder their ability to promote savings and to provide adequate reserves for future growth. The result would be a reduction in real savings available to finance the vitally needed housing and industrial expansion. So, also, would the reduction in real savings compound the Treasury's difficulty in financing the Federal debt in a non-inflationary manner. These adverse results of unwise tax changes, because of multiplier effects, may well lead to savings losses to the economy substantially in excess of any immediate increase in Federal tax receipts.

Within the framework of these broad fiscal considerations, a specific issue of fundamental importance is the effect increased taxes would have on the soundness of our financial structure. It has long been recognized that in framing a program for taxing the income of thrift institutions, the ability of these institutions to accumulate sufficient capital to protect depositors and shareholders must be a prime consideration. Unlike commercial banks, mutual thrift institutions cannot raise capital funds through the sale of stock, and therefore must rely on the accumulation of capital from retained earnings. The present formula, under which mutual thrift institutions have been taxed since 1951, was devised with these basic

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*An address by Dr. Ensley before the Management Conference of the California Savings and Loan League, Santa Barbara, Calif., Feb. 16, 1959.

Foreign Trade and Foreign Aid and Role of Eximbank

By SAMUEL C. WAUGH*
President, Export-Import Bank, Washington, D. C.

Eximbank's head urges that economies successfully aided by our efforts should join us in providing similar assistance to underdeveloped countries. Addressing himself to the question as to the division of our aid through unilateral activities and international channels, Mr. Waugh hedges by pointing out we are committed to both types and that the final decision is up to Congress. He hopes the U. S. A. will encourage fellow members of international organizations to carry their full share—including in some instances back payment of dues. The author pinpoints basis for free world's economic strength on U. S. A., and opines we must keep our economy growing and expand flow of private investments abroad. He with explanation of Eximbank's contribution to free world and limitations governing the type of aid it can extend.

Last Feb. 12 the Export-Import Bank reached its 25th anniversary. In observing this event, we issued a brief statement summarizing our loaning operations which this year crossed the $10 billion mark. The Export-Import Bank, our statement pointed out, "became the first public agency, either national or international, to arrange credits for large scale economic development throughout the world."


Samuel C. Waugh

The Bank was founded Feb. 12, 1934. For 11 years it was a small institution, exploring and pioneering new programs in support of United States foreign or overseas trade. It made its first credit of the type which has come to be known generally as a "development loan" in 1938. In 1940 it authorized the first of a series of loans to Brazil which made possible the establishment of the now famous integrated steel mill at Volta Redonda.

Until 1945 the amount of funds available for lending by Eximbank, as we are known, was only $700 million. But in that year the Bank was enlarged, made an independent agency responsible directly to the President, and its lending authority expanded to $3½ billion. Today the Bank is authorized by Congress to have loans outstanding at any one time up to $7 billion.

When the Export-Import Bank became a multibillion dollar institution in 1945, it was the only institution of its kind. It was, and it is today, a unilateral agency and the principal international lending arm of the United States Government. Since 1945 a variety of banks, funds, and agencies have come, or are coming, into being to provide loans or grants for purposes generally similar to those financed by Eximbank. Some of these—particularly the U. S. agencies—already have passed from the scene or been greatly reorganized. Others, especially the international agencies, are growing. We have today in Washington in addition to Eximbank:

Other Agencies

The International Bank for Reconstruction and Development; the International Monetary Fund; the International Finance Corporation; the Development Loan Fund; the Commodity Credit Corporation; the foreign currency lending program of the United States under Public Law 480 (which Eximbank directs and executes); the International Cooperation Administration (successor to the Economic Cooperation Administration which administered the Marshall Plan); and the President's Emergency Fund. And today still more institutions are in sight, such as the Inter-American Development Bank and, possibly, a Middle-Eastern Development Fund.

Secretary Dulles told the Senate Foreign Relations Committee recently, "the demand for economic and social betterment is now universal." This is the philosophy, at least in part, for the creation of additional lending institutions.

The problem with which the Administration is confronted, in my opinion, is the extent to which support should be given the international type of agency as compared with the wholly-owned U. S. agencies, all of which are loaning in the international field. In other words, the question is bilateral or multilateral loaning, and the relative degree to which both should be supported, realizing, of course, our government is definitely committed to both types of agencies. The final decisions rest with the Congress.

From my experience during these past six years—first in the Department of State as Assistant Secretary and later as Deputy Under Secretary for Economic Affairs, during which period I served as Deputy U. S. Governor of the International Monetary Fund and the International Bank for Reconstruction and Development, and then for the past three years plus as President of the Export-Import Bank—I have had an opportunity to study both phases of this problem.

Pay Back Dues

There is one point upon which I believe we will all agree, and that is that the international loaning agencies could not or would not endure without the generous dollar support of the United States. **This support to existing institutions, in my opinion, should be continued.** I do firmly believe, however, that every effort should be made to—and here I am using a mild word—**encourage** our fellow members of these international organizations, particularly those where the recovery has been marked, due in part to United States aid in one form or another, to carry their full share and in certain instances to pay their back dues.

The importance of the role of the Export-Import Bank in the international lending field has not been sufficiently appreciated in the United States, in part, I believe, because its activities have not been sufficiently understood.

This is due possibly to the fact that the art or profession of making loans for economic development—whether from a national or international source—is not well understood even by many knowledgeable people. I speak with experience on this point for I have devoted a large share of my time since I came to Eximbank explaining to private financiers, industrialists, businessmen, exporters and students of government and foreign policy, what I shall call the philosophy and pratice of sound lending.

In the past six years as a government official I have visited 37 countries, talked to the representatives of many more, traveled 330,000 miles, and have come into direct connection with most of the different types of financial and economic problems facing the various governments of the world. From this experience I have learned one lesson thoroughly: **the fundamental basis of the economic strength of the free world today rests upon the United States.**

If this country continues to maintain a strong and vigorous economy, our friends and allies abroad will be able to grow and develop in accordance with their broad aspirations. To be sure, this rate of growth will not be uniform because of the various types of national economies. The problems of Latin America today are indicative of uneven situations and varying economic foundations. But, as a dictum, we may say that the economic stability of the United States is vital to the free world.

On the contrary, if the United States economy is not maintained at a high level most countries of the free world will be in serious difficulties because the United States is either their best customer or their source of important financial support by one means or another.

This point was emphasized recently in a speech by Under Secretary of State for Economic Affaris Douglas Dillon, on the subject of what he called "Imperatives of International Economic Growth." Here is what he said:

Keep Economy Growing

"The first imperative—and a major one—is to maintain a study, growing economy in the United States. Our ability to extend aid, to offer the capital which is so badly needed in the newly-emerging countries, is conditioned upon our domestic strength. Our prosperity also helps to assure them a market for their output. The movement of goods is, of course, closely related to the movement of capital. Not only must we import in orded to export. We must import to keep investment flowing overseas. For without the prospect of returns, the expanding flow of private investment is impossible."

We see, therefore, why the stability of the United States is Economic Law Number One and why it is necessary to maintain a high level of business activity, or trade, both with ourselves domestically and with our friends and allies overseas. It is in support of the latter activity that the role of the Export-Import Bank has been paramount for many years.

Eximbank sometimes has been questioned for making "tied loans," meaning that its loans are restricted to purchases of equipment and goods manufactured in the United States. In this sense Eximbank loans are "tied." But let me give you another perspective. Our loans are "tied" for the purpose of assisting the United States economy which, as we have just seen, is of vital importance to our friends abroad. I submit, therefore, that "tied" loans in the sense the term is used here, are a blessing to our borrowers overseas. Criticism of this policy probably arises largely out of misunderstanding.

When in India in October of last year, I was asked both at Bangalore and Madras whether or not it would be possible to use a portion of the Eximbank credit for purchases to be made either in Europe or Japan. My answer was that we certainly had no objection to the purchases being made in the areas referred to, but that we felt that the countries in question had made sufficient recovery, in part due to United States aid, that they were now in position to finance the purchases made in their respective countries. I submit this is not an unreasonable position to be taken by the Directors of the Export-Import Bank.

Eximbank's Contribution

It is difficult to estimate with pin-point accuracy the extent to which Eximbank credits benefit the United States economy but rather easy to understand that the benefit has been great. The following analysis, with examples, will demonstrate this point.

Let us take a credit for the establishment and expansion of a steel mill. From purchasing agents' records available on our credits of $61.5 million to the integrated steel mill at Huachipato, Chile, we know that for every dollar which the Bank loaned for development of that mill, its owner—Compania de Acero del Pacifico, S. A.—spent an additional two dollars for supplies and services in the United States. That means that the Bank's loan of $61.5 million brought orders to this country totaling $184.5 million.

To express the point in another way, the Bank's assistance to the Chile steel mill resulted in the placing of 7,807 individual orders with 780 suppliers in the United States.

Incidentally, when this company received its first loan from the Bank in 1951, it was largely owned by the government. Gradually ownership has been transferred and today the mill is controlled by private enterprise.

It was on Saturday, Jan. 31 that two of our Directors were in Pittsburgh and made an inspection of the Lewis plant of Blaw-Knox. There we found orders for steel mill equipment in various stages of manufacture and for shipment to Monterrey, Mexico; Huachipato, Chile; and Donawitz, Austria.

I asked the Plant Manager what percentage of the work in the plant was represented by these orders, all under Eximbank financing. The answer was 90%. The President of Blaw-Knox, without hesitation, said that this plant would not be operating if it did not have the 3 orders referred to. He then went on to say that the following Monday another plant that had been closed for some time would be reopened and re-employ some 600 men as a result of a recent order for steel rolls to be shipped to Spain, also under Eximbank financing.

When you recall that Eximbank has assisted the development and/or expansion of steel mills in Mexico, Brazil, and Argentina—as well as Chile—in Latin America, and in Japan, Spain, Italy, and Austria, you begin to understand the strong support which Export-Import Bank credits give to the United States economy.

Other Examples

Here are a couple of other examples: the Bank has made a number of credits in Japan to assist the expansion, greatly needed, of electric power in that country. We know that two of these credits, totaling $16.5 million, generated orders in the United States for approximately $25 million. These orders were distributed among 40 companies in 15 states.

In Brazil a year or two ago we extended a credit of about $1 million for grain silos, desperately needed in a relatively poor section of the country to enable farmers to store their grain crops which, until now, have often rotted before they could be sold. This credit brought orders to 29 plants in 16 states, and affected 80,390 Americans employed in those factories.

Taking these examples, you can see from the following two figures how important the Bank has been to the United States economy. In its 25 years the Bank has made some 1,600 individual credits and disbursed some $6.6 billion (an additional $1.6 billion is committed for disbursements). Obviously, these credits have generated orders of additional billions which have contributed to U. S. business activity in recent years, including the past rather difficult year, 1958.

In Africa, Asia, Europe, Latin America, and Oceania, the Bank has assisted the development—in addition to steel mills and electric power—of iron, copper, nitrate, manganese, and uranium mining; cement mills; fertilizer plants; chemical plants; innumerable types of industrial plants; large-scale irrigation projects; highways; ports; and public works. As we have seen by example, the immediate result of these credits has been to provide hundreds of thousands of orders for U. S. industries throughout the country and many millions of hours of employment for American workers.

But this is not all. While the Export-Import Bank by statute is directed to make loans which offer "reasonable assurance of repayment," the Bank has made it a policy for many years to make loans which would improve the borrower's economic position, and, wherever possible, increase his country's ability to earn dollars in their trade with the United States. Thus our development credits have resulted in economic growth abroad which has expanded U. S. overseas markets permanently.

From this rather brief report you may be able to visualize the importance of a national institution such as the Export-Import Bank to a country's foreign trade. I hope I have been able to make clear how the Bank's development credits have been designed for the dual purpose of assisting borrowers abroad, by leaving them in a stronger position than before the loan was made, and by improving United States overseas markets. This Bank accomplishes, therefore, the same goal as other lending institutions of assisting the economic aspirations of other countries; but, in addition, it does so in a way that strengthens the economy of the United States, and this, as we have seen, is of the greatest importance to our friends and allies.

Having said all this I do not mean to imply that I think the Export-Import Bank is the only type of agency that should be in the business of international lending for economic purposes. We all know that the economic needs of the world are very great, and in some regions, desperate. These areas require therefore, varying types of financial assistance.

Prefers Grants to Soft Loans

There is, in my opinion, still a need for grants or so-called soft loans in our foreign economic assistance program. An effort has been made, through the creation of the Development Loan Fund, to make project loans on a soft-loan basis in areas not covered by either the Export-Import Bank or the International Bank for Reconstruction and Development. **To my orthodox training, in certain instances grants are preferable to soft loans**—that is, very long term loans made in dollars but repayable in local currencies and at low interest rates.

There is no loaning agency today, either United States or international, to make loans in the field of so-called social overhead purposes—that is, low-cost housing, school, hospitals, and so forth.

The President's Emergency Fund is the only source available at present for grants, and this is of course definitely limited in amount.

*An address by Mr. Waugh before the Overseas Press Club of America, New York City, Feb. 19, 1959.

A Realistic Solution for Rails' Complete Recovery

By DANIEL P. LOOMIS*
President, Association of American Railroads
Washington, D. C.

Noting rails' recovery has started, A. A. R. head sounds an all-out call to unleash the tremendous potentials of railroading in his appeal to President Eisenhower to appoint a special commission to end "featherbedding." He asks five train-operating brotherhoods to join management in this request so as to put what he terms a $500 million annual "albatross around the neck of American progress" to productive work for the good of labor, the economy, nation's defense and rails' recovery. Mr. Loomis also asks that the start made by Transportation Act of 1958 be continued; transportation-discrimination be ended; and burdensome taxes lifted.

A sick railroad industry means a sick economy. And sick railroads mean a national calamity. It could not be otherwise with an industry pumping $10 billion a year through the economy's bloodstream that employs nearly a million Americans whose purchases of materials and new equipment intimately affect the jobs of another million workers in supply industries . . . whose stocks and bonds are held by still another million people . . . whose trains carry 400 million passengers a year . . . and whose freight cars are the great burden bearers of the nation, bringing us the food we eat, the clothes we wear, the fuel we burn and all the other things we use in our daily home and work life.

Daniel P. Loomis

Yet I do not wish to dwell on our problems . . . but to hold out new hope of recovery for a seriously afflicted industry — new hope for a brighter day in transportation for Americans everywhere. I hold out hope of healthy and vigorous railroads, making rising contributions to the nation's economic vitality and national security, and spreading greater prosperity outward to all businesses and to all America.

There are challenging horizons before us. This is the most exciting and promising era in all of transportation's history. Almost daily, miracles are performed by transportation men of vision. The world is preparing to conquer outer space. We fire missiles and satellites into the heavens and stand on the threshold of a wholly new form of transportation.

But what an ironic and devastating failure in human progress if we conquer space, only to become mired down and earthbound on the world we live in! How empty will be the glory of landing on the moon!

Sick of Being Sick

If you are tired of hearing about railroad problems, I can assure you that the railroads are tired of telling you about their troubles. We are sick of being the problem child of the American economy. But let's be realistic. Let's all—everyone everywhere—get sick and tired for once over the causes of those troubles. Let's come to iron grips with those causes.

Only then can railroads regain their rightful place in the national economy. And by that, I don't mean rising from a sick bed to a wheel chair. I mean becoming a healthy, vigorous progressive railroad industry again, making the vital contributions to an expanding America that our citizens have a right to expect. The railroads intend to fight toward that goal. And we ask for your help—and the help of all thoughtful Americans.

The results will be worth the effort. Railroads have woven a marvelous new pattern of facilities out of a postwar investment of $14 billion. This private capital spending, made in the face of the most forbidding obstacles, has changed the face of railroading and provided greatly improved service at low costs for producers, consumers and the whole country.

Yet this is only the beginning. Modern railroading has enormous undeveloped potentials. Given a real chance to earn a decent living and rise to their full potentials, the railroads can and will give the nation wonderful new levels of streamlined service and provide a vibrant nucleus for a dynamic American economy.

This is the choice before us, before America. It is the nation's decision as much as it is ours. For the railroads, acting alone, cannot possibly solve the crushing problems of discrimination that have grown up in public transportation policies over the past half century.

Praises Start Already Made

A start was made toward solution last year in passage of the Transportation Act of 1958 and repeal of the price-inflating Federal excise tax on freight shipments. But you know, as do we, that much more remains to be done. Before us now lies the tougher, yet much more meaningful and rewarding job to be done on the deep-down roots that are tapping the industry's strength and spreading its weakness throughout the economy.

It is imperative that the nation get on with this job of putting some realism into government's transportation policies. America's railroads cannot resume their rightful position and make their fullest contribution under a policy which bleeds off rail revenues through blinding taxes, then applies these to the subsidy and promotion of competing carriers. This is a sorry way to run a railroad. In fact, I don't think the nation could have created any better way to **ruin** the railroads if it had set out purposely to do so.

While railroad men are going to fight as never before for a solution to such public policy problems, this, even when successful, will not alone give us the clear track to greater progress which is our country's privilege. There is another area of festering and cancerous growth which must be cleaned out before our full potential can be reached. In this area lies the opportunity for great progress with consequent benefits to labor, management, shareholders, shippers and, indeed, the entire American economy.

What Featherbedding Means

I refer now to the wasteful and burdensome work rules — commonly known as featherbedding—which hang like an economic albatross around the neck of American progress. Rooted in the horse-and-buggy era of 40 and more years ago, the work rules have remained fixed and inflexible while the industry made enormous strides in technical improvement. These outmoded rules now constitute an immediate drain on the industry in excess of $500 million annually and—equally important — act as a deterrent to further progress, as a job depressant and a barrier to advancement to the men and women now employed in our industry.

Imagine, if you will, what half a billion extra dollars a year could mean if plowed into repair work. The back-log of bad-order cars would evaporate and vast numbers of laid-off men put back on the payroll. Or think of what such a volume of additional investment in modernization could do to railroading—and what it could mean to our customers, our suppliers and to the national economy!

Featherbedding by any definition is a net loss to all America.

It puts pressures on our rate structure and bids up prices to all consumers. It is a handmaiden of the ruinous inflationary spiral.

It helps impoverish and weaken the railroads, means fewer returns to investors and a virtual freeze-out of the new equity capital needed to expand and improve plant.

It gnaws insidiously at our competitive position and ultimately destroys the very jobs it seeks to protect—both for railroaders and all those who depend on railroad purchases.

So I say that for the good of all America, something drastic must be done about this destructive growth. And 1959 is the year of decision. A three-year-old agreement to postpone revisions in working rules expires on Oct. 31. This poses great opportunity for both labor and management to break out of these chains to the past.

Three Damaging Areas

But let me bring this subject down to specifics and show what featherbedding really is. The practice is concentrated among certain classes of train operating positions, which account for about one-fourth of total employment. The three most damaging areas are as follows:

First is the antiquated mileage-day pay system which siphons off virtually all the benefits from modernized motive power and stepped-up train speeds.

Second are the towering jurisdictional walls that stand rock-hard in the path of streamlined service — the claim-to-work rules that ban road crews from working in yards and bar train crews from crossing district and seniority boundaries.

Third are the senseless requirements for useless crewmen on trains and other equipment — for firemen who tend no fires and extra brakemen who handle no brakes.

The dual mileage-day pay standard is itself a glaring anachronism. While modernization sweeps ahead throughout the railroad structure, this 40-year-old work rule clings like a leech to the carriers' body, draining away its lifeblood. Simply stated, it provides that when locomotive and freight train crewmen cover 100 miles, they must get a basic day's pay. Passenger trainmen put in 150 miles.

One doesn't have to be a railroad expert to see what is wrong with such a system. When standardized in 1919, it had a perfectly reasonable basis. That was the day of the plodding steam locomotive, the Model T and the wheezing biplane. A run of 100 miles in freight service did indeed take about eight hours' time. And a run of 150 miles in passenger service required 7½ hours.

But those times are now ancient history. Along came great improvement programs—streamlined diesel locomotives, electronic traffic control systems, faster rolling stock and straighter, freer right of way. Freight and passenger train speeds nearly doubled.

Yes, railroading changed as all America changed. But the old rules did not. They remained as inflexible as a rock. And the modernized iron horse remained tied to a 1919 hitching post.

Employees on passenger and through-freight trains found themselves completing runs in up to half the time formerly required. On some of the choice "red apple" runs where train speeds exceed 75 miles an hour, a basic day's wages are earned in less than two hours.

Look briefly at what happens when train speed rises within this fixed workrule frame. A passenger train now covers the 900 miles between New York and Chicago in about 16 hours. But the railroad by no means pays just **two** days' pay for the engineers' services. No, the carrier must pay over **nine** basic days' pay for each crew position on the 16-hour run.

Or move on westward to another fast run. A train covers the 1,034-mile trip between Chicago and Denver in 16½ hours. Again, the pay-out is not for two days' pay, nor even for nine. The carrier's costs equal a total of 10⅓ basic days' pay for each engine crew position. By contrast, a bus driver generally works a full eight hours for his day's pay.

This system is so self-destructive that I doubt if one could have devised anything more likely to kill off its practitioners. As railroads step up train speeds and streamline service, these restrict-the-work rules rake off virtually every dollar of benefit that results. Little remains for other employees—and **nothing** remains in the way of price reductions for customers and dividends for shareholders. Modernization thus carries a built-in penalty. It becomes a curse instead of a blessing.

How long can the railroad business withstand such bloodletting? How long can the great majority of rail employees tolerate such obstacles to their own advancement? How long will our customers countenance accompanying up-pressures on our prices? The future of this vital industry rides on the answers.

At the same time revision is made in the old dual pay system, something must also be done about the rigid lines drawn between the kinds of work each group of employees will do. These separations hit the railroads and the general public especially hard because they pose indivisible blocks on what should be a free and open track. For instance, we generally cannot run one train crew through a division change-point, because rules say that employees within each walled-in division have the right to man all trains in that area. This may have made sense when steam locomotives covered only 100 miles or so and took a crew's entire working day.

But it makes no sense now. That New York-Chicago passenger train I cited a while ago has to stop and change engine crews seven different times along the way. That Chicago-Denver run requires eight different engine crews, each putting an average of about two hours. And think what time is lost changing crews and cabooses on piggyback and hot-shot freights. The system practically invites competition, not so burdened, to nibble away at our traffic.

High walls also loom between road and yard crews, with each forbidden to work in the other's domain except at grave penalty to the railroad. This can even lead to a railroad's paying **three** times to get **one** thing done. For example, in one referee's interpretation of the rules, a yard employee was awarded an **extra** day's pay for working a few few minutes on line outside the yard limit, while a road employee got a day's pay for work he did not do but claims he should have done. That's three days pay for one task — two for the yardman, one for the roadman!

In another instance, the rules forced payment of an extra day's pay to a road freight engineer for moving his train a few car lengths in a freight yard—the job claimed under the work rules to belong to a yard engineer.

A yard crew making a 4-mile round trip to help a freight train through snow got extra pay for 100 miles of road service.

Can you think of a faster way to go broke? How long can the nation's economy bear such a deadly drag? Here is a system geared to inefficiency and bungling, to delays in moving your shipments, to the most indefensible waste. We cannot continue to carry such a back-breaking load. And neither can you nor the public.

Cites Classic Rule

Now look for a moment at that classic featherbedding rule—one

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*An address by Mr. Loomis before the Annual Meeting of the National Association of Shippers Advisory Boards, St. Louis, Mo., Feb. 11, 1959.

Is Business Or Labor Responsible For Low Output and Inflation

By JOHN E. KUSIK*

Vice-President, The Chesapeake and Ohio Railway Company

Concerned about time spent on problems of conflict with unions, instead of concentrating on major opportunities in making productivity the weapon of inflation, Mr. Kusik queries possibly overlooked productivity improvements that include and transcend manpower utilization. Cognizant of the changed coal industry's labor record, the railroad official suggests ways of overcoming barriers to labor productivity and a management-labor "co-operation" solution. Turning to other reforms, he also suggests: (1) more use made of—and better—capital; (2) updating the "Achilles heel" of business organization and management; (3) constant innovating changes — a life and death business matter in contradiction to other institutions; (4) expanding demand by bettering sales efforts; and (5) encouraging independent labor so as to stimulate management without trespassing on managerial prerogatives.

"As prices have continued to move up under a Republican Administration, big business groups have looked for a new scapegoat in order to shift away from their own role in raising prices. Lo and behold, to no one's surprise, they have singled out unions." This is from the introduction of a pamphlet recently distributed by one of the most powerful union groups. It is an effort to absolve unions from any responsibility for the inflation. The role of capital and management in the growth of productivity during the last decade is largely ignored. The urgent need of adequate compensation for risk capital is ignored. Like most propaganda, it is a partisan piece of work. It is rather like the big, bad wolf posing as the grandmother to Little Red Riding Hood to the tune of "Rock-a-by-Baby!"

John Kusik

Losing Major Opportunities

However, as we think of it, we must conclude that too often we men of management are taking part in this game by spending perhaps too much time on problems of conflict with unions and by not concentrating enough on the major opportunities before us. Our motives may be as sincere and honest as those of union leaders. Yet, as long as men of management are not taking the initiative in more vigorously seeking cooperation, they must bear their share of responsibility for lack of better results.

Unquestionably, inflation is a serious danger and productivity is our arsenal of defense against it. However, productivity is also a powerful force of creation. With it we can create increased wealth for distribution of increased shares for all participants in the production process.

The assignment which I have undertaken here is the discussion of opportunities of productivity growth, through management leadership.

The process of creating increased wealth requires putting money to work. Money is put to work through people, through investment in facilities of production and marketing and through organization. Money works through a continuous process of conversion of cash into plant facilities, wages, raw materials and, ultimately, into finished products or services. These are reconverted into cash when sold to users.

For profitable business operation, it is necessary that this process in all of its elements operate fast. The faster it operates, the less money is needed for the operation of the business and the more profitable it is.

This is an over-simplified view of the job of management from the standpoint of productivity. We can now turn to the discussion of the major elements of productivity. As I see it, there are at least six of them:

Labor Utilization

First, **productivity of manpower.** As you know, productivity of manpower depends on a number of factors:

(a) Production tools made available by management. The better the tools, the higher the productivity.

(b) Skills and other abilities acquired through training opportunities provided by management or otherwise. The higher these abilities, the higher the productivity.

(c) General attitude of workers determined by such influences as physical and mental health, environment created by managements and labor unions. The better the attitude, the higher the productivity.

How can we eliminate, or minimize, the barriers to productivity inherent in these classifications? Certainly, there are many things that management can do on its own. But, as Sumner Slichter has recently pointed out, labor unions have an opportunity of playing a new and a more important role in American industry. This opportunity comes from the need to reform the present organization of production. In large part, it has been a contest between management and workers over how much will be turned out. Management has been trying to get as much as it can. Workers have been holding back to avoid producing any more than they regard informally, or under labor agreements, as being what management is entitled to receive. At the same time, they have been trying to get in wages more and more. Obviously, the wastes of this process are appalling. They include lost wages and lost productivity through strikes.

Dr. Slichter recommends replacement of the present contest between managements and employees with what he calls "organized cooperation." A case study of spectacular achievements possible through cooperation of management and labor is offered by the record of the coal industry and John L. Lewis during the last eight years or so. If you have not done so already, I suggest that you read in the Jan. 17 issue of the "Saturday Evening Post" a stimulating report on this record. What then, may I ask, is wrong with the expansion of the application of his idea when all of us are looking for major ways to increase productivity?

Considering the problem of eliminating strikes, does the answer lie in arbitration courts with a supreme court of appeal composed of representatives of labor, capital and perhaps the judiciary arm of the government? But the conflict goes on as a cold war even in times of freedom from strikes. Losses in times of so-called labor peace are even greater than in times of open conflict. What is wrong, therefore, in seeking a revolution in management and labor relations through "organized cooperation"?

Idle Capital

The second element we come to is **productivity of capital.** This means effective utilization of all fixed plant and machinery plus other forms of capital such as inventories and other stages of conversion of cash into cash. Effective utilization requires not only maximum use of all capital, but also its proper balance in the sense of having adequate proportion of the best and most modern facilities and not having too much of anything. The plant must be modern and it must be adequately maintained.

When one stops to think of the lavish way in which capital is used in America, it becomes clear that here we have another major opportunity for increased productivity. Under the 40-hour week prevalent in most industries today, billions of dollars of capital are utilized only some 2,000 hours out of the more than 7,000 hours available in the course of a year. Accordingly, is it too much to hope that some day we might double utilization of capital invested in industry? This should not be too difficult a target since it still would provide for only a little better than 50% plant utilization.

In the railroad industry, the situation is very similar. Although a railroad operates around the clock the actual use of its physical plant is relatively low. One can stand along any main track of a railroad and wait for hours without seeing a train go by. Even in periods of high economic activity, freight cars are standing still 90% of the time! It is this situation that has led to much merger talk in the railroad industry.

On the basis of organized cooperation between management and labor, aren't there other ways to arrive at other solutions which would enable us to get more work out of this investment? For example, would not shorter hours and higher pay for the so-called lobster and graveyard shifts make such reorganization of production possible and economically feasible? Why don't men of management and labor think in terms such as these when discussing still higher pay and shorter work hours?

Bettering Company Management

We come now to the discussion of the third element—**productivity of systems linking together capital and manpower.** These systems consist of the organization structure, such as departments and divisions into which people are fitted; organization of work flow between combinations of people and machines; organization of supervision and communication for direction of work and reporting of performance. A very substantial proportion of activity in this area consists of the design and layout of systems in addition to their operation.

While this area probably offers one of the most important opportunities for raising productivity, it is, at the same time, most frequently neglected. In my opinion, it is the least productive area in business organizations. Generally, it is their soft underbelly, their Achilles heel. And yet, in a typical manufacturing and selling company, the cost in wages and other expenses of this area are probably greater than the cost of the direct, blue collar work of converting raw materials into the finished product. It is probably greater than the total cost of capital investment in terms of depreciation, maintenance and return on investment. It has been estimated that of the total payroll of such companies, as much as two-thirds may be paid out in the design and operation of systems linking together capital and manpower.

There are three principal reasons for lack of progress in securing higher productivity in this area:

One is deterioration of supervisory control over people. This has occurred through changes in work habits which have taken place, especially since World War II. This is illustrated by the availability in some companies of almost unlimited coffee break periods and other interruptions as well as a very liberal attitude in paying for other time not worked such as illnesses and absences for personal reasons.

The other reason in most companies is in jurisdictional jealousies between departments, sometimes accompanied by conflicts almost as severe as those with labor.

The third reason for this lack of progress has been the difficulty of setting standards and mechanizing this work. It was only the relatively recent advent of large-scale electronic computers that opened up new, undreamed of opportunities. They are actually forcing the breakdown of rigid departmental viewpoints.

With new opportunities now available, is the management of your company on the way to secure higher productivity of systems linking together capital and manpower? Are departmental barriers being breached? Is work going on to stiffen the company's soft underbelly?

Innovating Ability

Fourth, **productivity of innovation effort and maximum utilization of the rapidly moving developments in modern technology.** As Peter Drucker, well-known educator and economist, put it recently, business organizations are the only ones that, by their very nature, must produce change. All other human organizations are dedicated to keeping things as they are. This is true of the government, the army, labor unions, the church and the family.

These other institutions are concerned with meeting existing needs. For example, the purpose of government is to meet the need of its citizens for protection and security. The church helps fulfill man's eternal need for inner security and, since most innovations in religious matters pose a threat to that inner security, they are resisted. But perhaps the best example of how social organizations try to keep things as they are can be found in the family unit which has survived almost unchanged.

On the other hand, a business organization, to be successful, must be designed to create new needs and, in turn, to fulfill these needs. Its capacity to resist deterioration and its capacity for productivity growth are dependent upon the strength of its spirit of innovation — innovation in terms of research development of new products and services, new ways of doing things. Some dramatic examples can be found in the appliance field where manufacturers cannot be content merely to make substitutes for existing products. They created and are satisfying demands for all sorts of new things from hair dryers to television sets, from home air conditioners to stereophonic high fidelity tape recorders. The result of creating these changes is a higher standard of living for all of us.

Some few, too few, labor unions have recognized that, in the long run, the prosperity of all of us is linked to the success of our innovation efforts. There are instances, however, where the resistance to innovations is rooted in legitimate efforts to protect the membership from the violent upheavals caused by major technological break-throughs.

We recognize that management shares in this responsibility for the welfare of employes. This is why more and more business organizations operate systems of separation payments to their long-service employes put out of work as a result of new technologies. This is why there is a growing effort on the part of managements to provide training and upgrading of workers to make them more employable in production processes which are changing and becoming more complex. This is why the government has stepped in to provide various cushions to ameliorate unemployment. Individual companies cannot bear the burden alone. It is only proper that management and government should respond in these ways in an effort to give human beings no less favorable treatment than is accorded to machinery which is also displaced and made obsolete with the progress of technology. It is a way of breaking down one major barrier to innovation.

It should be the purpose of management to reach out in an ever-widening arc of effort to convert the forces of technological development and innovation into factors of stimulation and great growth of productivity. In your organizations, is this spirit of innovation allowed full sway to make its share of contribution to the growth of productivity? Are any services and facilities growing obsolete and less productive without our knowing it?

Expanding Demand

Now, fifth, **productivity growth through expanding demand.** It is obvious that growing volume of business in itself raises productivity of the other elements in an important manner. It is always easier to get more work out of a business organization and its facilities during a period of rising economic activity. Now, of course, we know that some growth in demand takes place somewhat automatically through the growth of our population, through the growth of our economy as a whole. It would be a mistake, however, for any busines organization to take a passive attitude and count on automatic business growth. For a business to grow successfully and to get its share of growing markets, high calibre productivity is required on the part of its sale function.

By sales function here, I mean much more than the operation of sales departments. I am thinking of the productivity of the sales function of the organization as a whole. This would include in addition to the operation of sales departments, all other productivity areas that lead to development of better products and services at the lowest possible cost. The complete success of the sales function can only be the combined result of harmonious operation of all elements of productivity. This means keeping pace with the growth and changes in the economy. This means reaching out for a growing share of available business. This means willingness and ability to provide funds for new facilities for immediate needs and for changing requirements which must be foreseen several years ahead.

Managements must make certain that everything possible is being done to channel expanding customer demand into a powerful factor of productivity growth. Are we getting our rightful share of the growing available business?

Stimulation of Alert Labor

Now, to take up the last element — **productivity of management as a whole.** We all know

Continued on page 36

*An address by Mr. Kusik before the Northern Ohio Personnel and Executive Conference, Cleveland, Ohio.

From Washington Ahead of the News

By C. BARGERON

The so-called liberals are a contentious lot. Take for instance, the stir Senator Proxmire of Wisconsin, has made with his demand that the Democrats hold caucuses. He has received all sorts of publicity and has been on two or three radio programs. Publicity is what he wanted to get.

Carlisle Bargeron

What purpose would caucuses serve? Senator Lyndon Johnson is unquestionably a strong leader but it is doubtful if caucuses would weaken his leadership. He knows the views of every Senator on the floor. He gets them from informal talks with his fellow Senators in passing, or they go to his office.

A caucus would not be binding. It would serve only as an airing of views which the Senators are known to entertain. Senator Proxmire's contention is that a stronger civil rights bill would have resulted from a caucus. He is assuming that Senator Johnson would have been stopped from springing the guns with his own bill, which is an effort to compromise the extreme northern and southern viewpoints. But this presupposes that a caucus would have voted in favor of the stronger bill and Johnson would have been forced to support it. It would be an innovation if a caucus were to come to have that power.

The Republicans meet every Tuesday after the conference of their leaders with the President. The conference is for the purpose of the leaders filling in the other Senators on what the President said. There is an informal exchange of views but no Senator is bound by any rule the caucus may adopt. Senators, for the most part, are prima donnas. Take the situation existing now. At least 14 Republican Senators are opposed to the President's tight budget and are voting with the Democratic spenders.

Party unity is much stronger in the House. Both parties occasionally caucus to determine what position they will take on a particular bill. But even in the House the caucus is not binding. The caucus serves the purpose of counting noses more than anything else.

* * *

It is expected that Lewis L. Strauss will eventually be confirmed as Secretary of Commerce but not until the public power group has given him a good hazing. Mr. Strauss has rendered a signal service in holding back the effort of the public power group to move in on the electric industry through government-owned atomic energy plants.

As Chairman of the Atomic Energy Commission he was under great pressure to erect atomic energy plants all over the country at a tremendous cost. The private electric companies have been slow in this field because of the cost and the fact that there is no end of fossil fuel available and atomic energy is no where near a competitive basis.

The Duquesne Power and Light Co. of Pittsburgh is operating an atomic energy plant on a partnership basis with the government. It is an experiment to bring costs down. The time when it will be able to operate on a self-sustaining basis appears to be long in the future.

The public power group has never forgiven Mr. Strauss for his part in the Dixon-Yates fiasco. This was an effort on the part of the Administration to clip the wings of TVA, whose wings badly need clipping. The public power group raised such a ruckus that the contract with Dixon-Yates was canceled and the group is having to sue the government now for the several million dollars they invested in the project. It is a commentary on something that it will take them several years to get back the money which they invested in good faith. It is expected to be another year before the Court of Claims hands down a decision.

The public power group is now resisting efforts of the Administration to have the REA co-ops pay the same amount of interest for the money which they borrow from the Treasury as the Treasury has to pay. They have been getting their money for 2% while the Treasury has had to pay more for the money.

The electric co-ops doubtlessly needed some government support in their earlier days but they are well established now. Rural America is about 95% electrified.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Rene E. Faux has been added to the staff of Merrill Lynch, Pierce, Fenner & Smith Incorporated, 55 Public Square.

John C. Curran With Van Alstyne, Noel Co.

Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, announced that John C. Curran is now associated with the firm as manager of the Institutional and Syndicate Departments. He was previously with Blair & Co. Inc.

Lack of Defense from Missiles Makes Cold War Continue

By ROGER W. BABSON

Writer Babson speculates on tremendous scientific advances, including the anti-missile missile, occurring in Western Germany. He also ponders Russian willingness to withdraw from Berlin, allowing free access to combined East and West Berlin, if she were to possess a sure defense against German missiles. Mr. Babson dwells on Russian fears of Germany and believes that the latter's discovery of a safe defense against the missile will make her all-powerful as the bulwark of the free nations.

In my column last week on Berlin and the stock market I concluded that the entire Russian-German situation depends upon whether either nation is prepared to defend itself against hydrogen or atom bombs. If Russia backs down on her Berlin ultimatum, it means that her Siberian experiments with anti-missile missiles have not been a success. Surely no nation, including the United States, has a defense against them.

Roger W. Babson

Germany Hands Out No News Releases

Russia is encouraging our newspapers, radio broadcasters, and magazines to tell of her "wonderful" scientists and laboratories. You do not hear anything of what Germany is doing. Yet the so-called Russian scientists were stolen from Germany; in fact, I believe it was a German and not a Russian who built the famous "Sputnik."

Although they are saying nothing, the Germans are far ahead of either Russia or the U. S. in scientific achievement. Russia talks as if the U. S. were her great enemy; while she knows it is Germany and China she must fear. It is the present talk of protection from enemy missiles by all nations which causes the "cold war" to continue.

Eisenhower, deGaulle, and Macmillan Working Closely With Dr. Adenauer

The Democrats blame Eisenhower for everything, and talk about "the elephant sleeping in the White House." Our President may be a child at politics; but he knows Europe better than anyone in public office. He knows what Germany is doing, but he keeps it to himself as Dr. Adenauer wants him to do. The same also applies to the scientific developments of France under Charles deGaulle and of Great Britain under Harold Macmillan. President Eisenhower, Prime Minister Macmillan, and President deGaulle know that Germany is the protector of Western Europe. They are prepared to work closely with Dr. Adenauer. Great events are in the making—Germany has the world's best scientists, best laboratories, and best fighting spirit. The Germans are not dishonest like the Russians, nor are they soft like us. They realize that in case of World War III Russia would first try to destroy West Germany. Hence, the West Germans are making plans to prevent this.

Germany has tremendous sins for which she must ultimately repent or repay. These primarily were the unforgivable persecutions of the Jews under orders from Hitler and his cohorts. Perhaps one way Germany could atone for these crimes would be by inventing a way to make the free world safe from Russian attacks or even threats.

Germany Will Be the Bulwark

News releases from Russia and the U. S. are mostly about ground-to-air missiles and space stunts. The real invention the United States, Great Britain, France, and especially Germany, are seeking is a ground-to-air defense missile—and Germany will secure it. When this is found, it could secure the peace for some years to come.

The primary work of defense against all missiles is being done by Germany. The world's best physicists, metallurgists, and engineers are working on this problem in Germany with the help of Great Britain, France, and the U. S. A. Russia is more interested in these experiments than in conquering space. Remember that no country releases its most important inventions to the public. Such work is highly "classified." I believe a safe defense against missiles will be found. This will make Germany all-powerful in her strategic position as the bulwark of the free nations. Russia is truly afraid—not of the U. S. A. or Great Britain or France—but of Germany. Russia is handicapped and greatly embarrassed by having West Berlin and Western Germany advance so in everything while East Berlin and East Germany are stagnant.

The only way Khrushchev now sees to stop this is by absorbing Berlin. Of course, the Germans will not agree to this, nor will Great Britain, France, or the U. S. A. Such a withdrawal would be suicidal for the West. If, however, Russia could find a sure defense against German missiles, she might be willing to withdraw from Berlin and let East and West Berlin combine, with free passage guaranteed to all parts of the world. The isolation of Berlin without a Western outlet is crazy and must be rectified. I believe this will take place as soon as all nations have anti-missile missiles.

Railroad Securities

Delaware & Hudson

Revenues of the Delaware & Hudson Railroad, subsidiary of the Delaware & Hudson Co., in February have been showing improvement over those of January, according to recent traffic figures. This has occurred despite bad weather conditions so far this month.

With an increase in operating revenues this month it is believed net income of the railroad operating company will show improvement over those of January. Consolidated net income of the company, including the subsidiary Hudson Coal Co. for January amounted to $321,000 or 20 cents a share on the holding company's stock. This was some $7,000 better than the amount reported for the like 1958 month when net income aggregated 19 cents a share. The Railroad Company reported earnings last month of $398,000 as compared with $327,000 in the first month of last year. There was a deficit from operations of the Canadian line north of Rouses Point, N. Y. for the first time in many years, mainly because of bad weather conditions. The Hudson Coal Co. continued to show a deficit, reporting a deficit of $56,000 compared with a deficit of $35,000 in January, 1958.

The recession in general business hurt the movement of D. & H.'s ore traffic to a great extent. Preliminary estimates are that this traffic dropped some 85% during the year due to the drop in steel production. Recovery has been noted recently and this trend is expected to continue with a consequent rise in earnings and revenues. Shipments of bituminous coal also were off, but it is anticipated that these will continue to pick up in coming months. Carloadings of anthracite coal continue at a low level and no recovery to any extent is expected in official quarters. It is pointed out that conversions to oil and natural gas have hurt this source of demand to a great extent and no other market is seen at the present time to take up this lost demand.

Last year D. & H. Co. has gross revenues of $67,700,000 and net income of $2,600,000 equal to $1.62 a share as compared with gross of $82,400,000 and net income of $7,200,000 or $4.45 a share in 1957. Despite this drop in revenues and net income the holding company maintained the $2 annual dividend. Consolidated earnings for the year amounted to only $1.62 a share, but earnings from the railroad company were equal to $2.15 a share on the outstanding stock of D. & H. Co., the holding company. The railroad company is the principal earning subsidiary of the company and is the chief source from which cash is provided.

One of the most interesting merger situations is that involving the D. & H. Erie and Delaware, Lackawanna & Western. It is understood that studies are well advanced and despite the complexities of the capitalizations involved that there is a possibility the roads might have a plan to submit to stockholders and bondholders before the end of this year. One of the problems is that the Erie has seven bond issues outstanding, two of which carry contingent interest coupons. The Lackawanna has 15 bond issues outstanding. Of these 13 are fixed interest bonds, with four having additional contingent interest coupons (Split coupons) and the other two contingent interest bonds. D. & H. has only one fixed interest bond issue outstanding. The liens of the various issues also present a problem. If through consolidation some trackage is abandoned the liens of the mortgages must be protected. Not only the bondholders but the mortgage trustees acting in a fiduciary capacity must be satisfied. However, practically all parties are in agreement as to the substantial operating economies which could be accomplished.

Keller Bros. Add

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Francis D. Obert has been added to the staff of Keller Brothers Securities Co., Inc., Zero Court Street.

Two With H. L. Robbins

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Anita F. Robbins and Marion M. Satter have been added to the staff of H. L. Robbins & Co., Inc., 37 Mechanic Street.

THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial stocks continued to soar into uncharted territory this week, quite logically with emphasis settling on issues associated with rocketry in the electronic and exotic fuel lines.

* * *

Zenith Radio took only a couple of sessions to add another score of points to its value and Thiokol Chemical, a rocket fuel item, that had seemed at something of a peak around 40 a year ago, raced above 150.

Targets and Profit-Taking

The going was getting tougher on some of these favorites as profit-taking moved in after the industrial average had crossed the 600 line. But the realizing didn't keep enough scattered blue chips in favor from boosting it above 610 which, to some, was an initial target for this portion of the bull move. That, obviously, was one of the things that accelerated the profit-taking, since reaching a goal normally would prompt lightening of commitments on a general front.

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There was caution generated by the market's surge, apart from the obvious selling, but it was tempered a bit by the fact that few technicians found any clearcut danger signals flying. The volume indication was favorable, the new peaks bringing out the highest volume of the year.

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The buying was of fairly good calibre apart from the items in the rocket picture, even staid American Telephone continuing to reach the best prices seen for this issue since 1930. The special situations that have been in favor for so long were also among the wide movers, such as Polaroid and Lukens Steel.

Oils Pick Up

Oils showed some signs of wanting to do better after their rather protracted lag. A prediction that Gulf Oil would show the second-best profit in its history for 1958, despite the uncertainties of that year, spurred this item, and some of the others were quick to take heart and post fair gains occasionally. Some of the rails, which is another group long laggard, were also able to show moderate demand, particularly the midwestern and western roads that haven't been pouring out the dreary records and statements that the eastern ones have been.

* * *

Aerojet General, an American Exchange issue, which had put on some of the wilder moves in the early stages of the rocket excitement, simmered down to more mundane action. And since Aerojet is largely owned by General Tire, and its flips induced equally spirited action in the latter, General was also given to more placid ways. The standard tire shares were able to give a good account of themselves at times but without showing clearcut intention of forging through their previous peaks.

Utilities Brighten

Utilities were a brighter section after they had been a backward area. In fact, it wasn't until this week that they were able to nudge through the high of last January and leave them at their highest point in more than a quarter century. Some of the interest here settled on the southern and southwestern companies that in the last few years have shown a superior growth ability when measured against that of companies in established cities.

* * *

South Carolina Electric, for one, has been able to increase its earnings more than one-third over a four-year period and should do as well if not better in the next four years, yet is reasonably valued at well under 20-times earnings and a dividend yield of around 3½%. This is the utility that has had a large growth of population in its area, in part to operations of the Atomic Energy Commission, and has a substantial customer in AEC.

Steel Prospects Obscure

Apart from Lukens which shrugged off a rather sharp 1958 earnings trim and seems destined for a good recovery this year, steel stocks weren't in much urgent demand because their picture is rather well obscured by strike possibilities. Customers have been stocking up in case there is a strike and the steel mills have been humming, in fact on the brink of setting a new weekly production record in tonnage although with the recent increase in capacity the production rate isn't threatening any records. Demand for the steels, despite assurances of good profits for at least the first half, has been moderated by the moot questions of how much of the demand will disappear if there is no strike and how costly a strike might be to the companies.

* * *

Whereas some of the electronic stocks have soared to where the usual market yardsticks would indicate they already are discounting much good news for years ahead, Amphenol-Borg Electronics is a sober priced item in the group, showing a yield above 3% and selling at about 12-times estimated earnings for this year. The firm is something of an unknown quantity since the merger of Amphenol and G. W. Borg was only accomplished at the end of last year. The merger did give the combined operation a sounder base and pave the way for a stepped-up research program. It is deep in the business of supplying components for most of the missiles in use currently but also has a very broad product line to make its business well diversified.

American Motors Clipped

The word in the auto section was also one of watchful waiting except American Motors which was clipped back rather hard on the prospect that its free hand in the small car field was in for some competition both from Studebaker and from the Big Three. But its decline seems to have reached a point where it is gathering new friends at least for the intermediate term. The company is assured of some handsome profit statements, at least until the Big Three get into production. And since the latter possibility is not due until Fall at least, American would seem to be a candidate for at least a good rebound on its near-term earnings prospects.

Items Abroad

With some of the investment companies showing a shift to foreign blue chips in view of the high, if not overvalued, prices of some of ours, there was naturally a bit of attention being devoted to investments outside our borders.

* * *

One that, while on the high side, seemed to be reasonably priced was Massey-Ferguson, the largest farm machinery maker in Canada where projections indicate that the farm picture will be a bright one this year. The company is considered still in something of a trial status since the present management only took over in 1956 to try to stop the pattern of dwindling profits. Its first chore was sizable write-offs and liquidations, plus heavy non-recurring charges that dumped it into the red in 1957. Last year there was a good rebound and projections are that the company could double last year's $1.25 a share within the next year or two. But at 12-times last year's earnings, plus a payout of only a third of earnings that is well sheltered and offers a yield approaching 3%, the present market price of the shares on the American Exchange doesn't seem to be excessive.

[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.]

Leading Economists to Debate Monetary Policy

Dr. Robert V. Roosa of the N. Y. Federal Reserve will answer comments of Dr. Marcus Nadler and Dr. Henry H. Villard on the general subject of monetary policy at a meeting of economists Friday evening, March 6, in New York City.

NEW YORK CITY—Economists of the New York metropolitan area will hear a definitive criticism and defense of monetary policy's effectiveness this Friday evening, March 6, 1959, in New York City's Remington Rand Auditorium on 315 Fourth Avenue.

Dr. Marcus Nadler, Professor of Finance at New York University and economic consultant to The Hanover Bank, will examine the "Changes in the Powers of the Monetary Authorities"; Dr. Henry H. Villard, Chairman of City College of New York's economics department will dwell on "Limitations of Monetary Policy in Controlling Inflation" and, as a rebuttal speaker, Dr. Robert V. Roosa, Vice-President of Federal Reserve Bank of New York will defend the effectiveness of monetary measures in controlling the business cycle.

This meeting of economists is the third out of a series of four sponsored by the Metropolitan Economic Association of New York for this academic year. The President of the organization is Professor Robert D. Leiter of C. C. N. Y. and the membership consists of economic academicians, analysts, researchers and writers

The role of the Federal Reserve and monetary policy's usefulness has been particularly in the limelight due to: paradoxical consumer price-level behavior during the recent recession-recovery period of excess capacity, troublesome unemployment, and growing foreign competition; importance ascribed by President Eisenhower, Secretary of the Treasury Anderson and dealer in government securities Aubrey G. Lanston to the Federal budget's relationship to distribution of and willingness to hold Federal debt; recommendations by "Business Week" publisher Elliott V. Bell, and former Economic Council Advisor Arthur F. Burns, among others, that there should be a close integration in one body of all monetary-fiscal activities; and concern about the progress of our real economic growth.

Effect of Eisenhower's Budget On National Income and Product

By LOUIS J. PARADISO*
Assistant Director — Chief Statistician
Office of Business Economics
United States Department of Commerce, Washington, D. C.

One of the country's outstanding econometricians analyzes three measures of Government receipts and expenditures to evaluate the effect of 1960 Budget—as presented to Congress —upon national economic activity. Mr. Paradiso expects that from fiscal 1959 to fiscal 1960: (1) an almost $4 billion drop in administrative budget expenditures; (2) a $2 billion drop in the cash budget representing all payments to the public; and (3) a $1 billion addition to national income and product account after making adjustments for IMF payment and decrease in loans to FHA, Ex-Im Bk, CCC and REA—indicative of Federal expenditure stability. The aggregate trend of Federal, State and local governments, however, is expected to be upwards — pushed by non-Federal accounts, with $1½ billion surplus in national income accounts for Federal Government to be offset by State-local deficit.

At the present time, purchases of goods and services by government—Federal, State and local—comprise more than one-fifth of the Gross National Product. The Federal portion is 12%. In addition to these purchases, governments also influence the economy importantly through various other activities. The Budget presented by the President about this time last year for the fiscal year 1959 implied an increase in government purchases over the fiscal 1958 total, and enlarged programs and appropriations were enacted by Congress. The upturn in such purchases, together with other government programs, contributed importantly to the economic recovery now underway.

Louis J. Paradiso

We have made a translation of the 1960 Budget into the national income and product accounts to evaluate its effect upon national economic activity. Only broad categories were examined, but for the purpose of appraising the overall economic impact, the results obtained provide useful guides.

Government Expenditures Stabilize

I shall first discuss the implications of the Budget on government expenditures. Exhibit I shows that in the national income framework the Budget expenditure estimates imply a total of $92 billion in fiscal 1960, up $1 billion from the estimate for fiscal 1959. In the first half of calendar 1959, total expenditures are estimated at a seasonally adjusted annual rate of approximately $92 billion so that little change is indicated for fiscal 1960 from the current rate. This differs from the decline in expenditures shown from fiscal 1959 to fiscal 1960 in both the administrative and cash budgets. Exhibit I provides for broad categories, a reconciliation of the three budget measures.[1]

The administrative budget expenditures drop by nearly $4 billion from fiscal 1959 to fiscal 1960. The cash budget expenditures, representing all payments to the public, drop by $2 billion. This difference is due mostly to (1) a rise in payments out of trust funds amounting to about $1½ billion, and (2) an expenditure in the administrative budget representing the issuance of International Monetary Fund Notes amounting to more than a billion dollars in fiscal 1959. This latter item does not appear in the 1960 budget. The cash budget does not include such notes as expenditures. It is to be observed that loans and other capital transactions drop by nearly $3 billion from fiscal 1959 to fiscal 1960. These include transactions of such agencies as FNMA, Export-Import Bank, Commodity Credit Corporation, and REA. Finally, adjusting the cash budget to eliminate such loans and other capital transactions, the rise in estimated Federal expenditures from 1959 on an income and product account basis is $1 billion.

Analyzes Breakdown

Let us now turn to the economic impact of Federal expenditures as revealed by the income and product accounts. Exhibit II shows a breakdown of the expenditures into purchases of goods and services and other items.

From the fourth quarter of calendar 1957 to the corresponding quarter of 1958, Federal Government purchases of goods and services increased by more than $4½ billion to nearly $54 billion at an annual rate. In addition to the rise in national defense expenditures, greater outlays were made for such purposes as the farm price support operations and the pay raise for Federal employees.

It is expected that government purchases of goods and services in the first half of 1959 will be at an annual rate close to $55 billion, with national defense expenditures accounting for practically all of the increase over the fourth quarter 1958 rate.

The Budget implies that for fiscal 1960, government purchases of goods and services will total $54 billion, representing no marked change in the course of that year. Compared with the rise of more than $4 billion in purchases from fiscal year 1958 as a whole to fiscal 1959, the present Budget implies no great change.

Total expenditures for categories not included in goods and services — that is, transfer payments, grants-in-aid, interest payments, and subsidies less surplus of government enterprises—were at an annual rate of nearly $37 billion in the fourth quarter of calendar 1958. The Budget implies that this figure will rise by $1 billion in fiscal 1960, following the $4 billion increase from fiscal 1958 to fiscal 1959. A substantial part of the contemplated $4 billion 1959 rise is expected to be in transfer payments to individuals and in grants-in-aid to the State and local governments. A much smaller increase is projected for these items in fiscal 1960.

Transfer payments moved ahead rather sharply in fiscal 1958 from an annual rate of nearly $17 billion in the third quarter of calendar 1957 to nearly $22 billion in the fourth quarter of calendar 1958. Part of this increase was due to the rise in unemployment compensation benefits accompanying the decline in business. Transfer payments in total are expected to rise by only $1½ billion from fiscal 1959 to fiscal 1960. The composition of the payments will change, however, as unemployment compensation payments decline and are offset by a rise of $1½ billion in other transfers, mainly in increased benefit payments under the social insurance system.

Another item to be noted is the decline in subsidies less current surplus of government enterprises from a total of $4 billion for fiscal 1959 at $3½ billion in fiscal 1960. This budgeted decline comes about mainly as a result of anticipated reductions in payments to farmers under the soil bank program, and the proposed increase in postal rates designed to minimize the post office operating deficit.

The Budget submitted for 1960, therefore, implies no significant change in the purchases of goods and services from the current rate an only a modest increase in all other types of expenditures. Loans and other capital transactions as reflected in the administrative budget are estimated to decline rather sharply in fiscal year 1960.

Underlying the $77.1 billion of Federal Government receipts for fiscal year 1960 are the assumptions, as stated by the Secretary of the Treasury, of $374 billion of personal income and corporate profits of $47 billion. Both of these figures are for the calendar year 1959. These estimates compare with an annual rate of personal income of $359½ billion last December, and an annual rate of corporate profits approximating $44 billion in the fourth quarter of last year. The latest official estimate of corporate profits for the third quarter of calendar 1958 at an annual rate of $38 billion was published in the "Survey of Current Business," Department of Commerce, January 1959. It is quite certain that as a result of the substantial rise in business activity in the fourth quarter, corporate profits are substantially above those of the third quarter.

In the framework of the national income and product accounts, the Budget implies that the total receipts in fiscal 1960 will be $93.5 billion, a rise of $9 billion from the estimate for fiscal year 1959. This is about the same as that shown by the administrative budget receipts. As exhibit I indicates, the trust fund receipts rise by about $3 billion from fiscal 1959 to fiscal 1960 while the excess of corporate tax accruals over tax collections drops by $2½ billion. These are the two large items which make up the difference between the administrative budget receipts and those based on the national income and product accounts.

Comparing the estimated expenditures and receipts in the national income and product accounts, the indicated surplus is $1½ billion in fiscal 1960 compared with a deficit of $6½ billion in the current fiscal year.

In summary, the Budget implies that total Federal expenditures will not differ substantially in the forthcoming fiscal year from the current rate, but that revenues will rise with continued improvement in business activity. State and local receipts and expenditures to rise.

Upward Trend in State and Local Data

Receipts and expenditures of State and local governments in the aggregate have risen every year in the postwar years. In the past five years, the average rise in expenditures (on national income and product account) was $3 billion per year; the increase in receipts averaged $2½ billion per year. For the year ahead, estimates of expenditures and receipts of State and local governments are more tenuous than the Federal estimates since there are no summaries of budgets available as is the case for the Federal Government. Based on fragmentary information and using past trends as general guides, it is assumed that purchases of goods and services by these governments will continue to rise more or less in line with the recent trend.

Expenditures of State and local governments (on national income and product account) in fiscal 1958 amounted to $41 billion; they are calculated at $44 billion in fiscal 1959 and $48 billion in fiscal 1960. Purchases of goods and services, which totaled $38 billion in fiscal 1958, may be expected to increase by $3½ billion in fiscal 1959 and by $3 billion more in fiscal 1960 to a total of approximately $44½ billion. Increased outlays for construction, particularly schools and highways and higher employee compensation, will account for almost all of these advances.

State and local revenues are expected to rise as a result of improved business conditions. Principal sources of the higher receipts are increases in personal income taxes, in property and sales taxes, and some rise in grants-in-aid from the Federal Government. Total receipts of State and local governments on national income and product account were $39 billion in fiscal 1958 and are estimated to be $42½ billion in fiscal 1959 and $46 billion in fiscal 1960.

Taking into account the higher expenditures, it would appear that these governments are likely to incur about the same deficit in the aggregate as the average of recent years.

Aggregate Government Expenditures Up

The trend of the combined expenditures of Federal, State and local governments will be upward throughout the coming fiscal year. This rise during the next 12 months, however, would come almost entirely from State and local governments. For the fiscal year 1958, total government purchases of goods and services were $88 billion; these are projected to $95½ billion in fiscal 1959 and to $98½ billion in fiscal 1960. On a calendar-year basis, government purchases of goods and services are expected to rise from the total of $91 billion in 1958 to $97½ billion in 1959.

In summary, for all governments combined, government receipts in fiscal 1960 will be about in balance with government expenditures. The indicated surplus of $1½ billion in the national income accounts for the Federal Government would be offset by the expected deficit for State and local governments.

*Statement by Mr. Paradiso before The Joint Economic Committee, Washington, D. C.

1 The three measures of Government receipts and expenditures differ in the following major respects: The administrative budget does not include transactions of the trust funds which are included in both the cash budget and the national income and product account. Also, the national income and product account measure differs from the other two in that corporate profits taxes are recorded on an accrual rather than a cash collections basis; loan transactions are either omitted or involve differences in timing; the acquisition of financial and second-hand assets are excluded; and an adjustment is incorporated for the lag between deliveries of and payments for goods.

EXHIBIT I

Federal Government Receipts and Expenditures:
Administrative Budget, Cash Budget, and National Income And Product Account, 1958-1960
(Billions of dollars)

	Fiscal Years 1958 Actual	1959 Estimated	1960 Estimated
RECEIPTS			
Administrative Budget	69.1	68.0	77.1
Plus: Trust fund receipts	16.3	17.6	20.5
Less: Intragovernmental transactions and other adjustments	3.6	3.9	4.1
Equals: Cash receipts from the public	81.9	81.7	93.5
Plus: Excess of tax accruals over tax collections, corporate	—2.3	4.0	1.5
Miscellaneous adjustments*	—1.2	—1.2	—1.5
Equals: National income and product account receipts	78.3	84.5	93.5
EXPENDITURES			
Administrative Budget	71.9	80.9	77.0
Plus: Trust fund expenditures	16.1	18.9	20.3
Government-sponsored enterprise expenditures (net)	—.6	.9	.1
Less: Intragovernmental transactions and other adjustments (including IMF notes)	4.0	5.7	4.5
Equals: Cash payments to the public	83.4	94.9	92.9
Less: Loans and other capital transactions	1.5	3.9	1.1
Miscellaneous adjustments‡	—.6	.0	—.2
Equals: National income and product account expenditures	82.5	91.0	92.0
SURPLUS OR DEFICIT			
Administrative Budget	—2.8	—12.9	.1
Cash Budget	—1.5	—13.2	.6
National Income and Product Account	—4.2	—6.4	1.5

*Includes such receipts as those of the District of Columbia, contributions to Federal retirement funds, and receipts of capital items like repayment of loans.

‡Includes such expenditures as those of the District of Columbia, government-sponsored enterprises, contributions to Federal retirement funds, and accrued interest on savings bonds and Treasury bills.

Source: Administrative and cash budgets from the **Budget of the United States Government for the Fiscal Year Ending June 30, 1960;** national income and product account data from the U. S. Department of Commerce, Office of Business Economics, data for 1959 and 1960 based on estimates in the **Budget.**

EXHIBIT II

Federal Government Expenditures on National Income and Product Account, 1957-1960
(Billions of dollars)
Seasonal Adjusted Annual Rate

	1957 I	1957 II	1957 III	1957 IV	1958 I	1958 II	1958 III	1958 IV*	1959 1st half	1959 2nd half	1960 1st half	Fiscal Years 1958	Fiscal Years 1959	Fiscal Years 1960	Calendar Years 1957	Calendar Years 1958*	Calendar Years 1959
Total expenditures	77.7	80.1	79.9	80.8	82.8	86.0	88.7	90.6	92.3	91.8	92.0	82.5	91.0	92.0	79.6	87.0	92.0
Purchases of goods & services (less sales)	49.1	49.7	49.7	49.1	49.7	50.7	52.2	53.8	55.0	54.0	54.0	49.7	54.0	54.0	49.4	51.6	54.5
National defense	43.7	44.9	44.9	43.9	43.7	44.1	44.5	45.0	46.0	45.5	45.5	44.1	45.5	45.5	44.3	44.3	46.7
Other expenditures	28.6	30.5	30.2	31.8	33.0	35.4	36.5	36.8	37.2	37.8	38.0	32.6	37.0	38.0	30.1	35.4	37.5
Grants-in-aid	3.9	3.8	4.3	4.4	4.4	4.8	5.4	6.0	6.2	6.4	6.6	4.5	5.9	6.5	4.1	5.1	6.3
Transfer payments	16.0	17.8	17.1	18.6	19.5	21.5	22.1	21.7	21.0	21.7	22.1	19.2	21.4	21.9	17.3	21.2	21.3
to persons	14.6	16.0	15.9	17.2	18.3	20.3	20.9	20.5	19.8	20.5	20.9	18.0	20.2	20.7	15.9	20.0	20.1
to abroad	1.4	1.8	1.2	1.4	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.5	1.2	1.2
Interest	5.5	5.7	5.7	5.7	5.7	5.7	5.6	5.6	5.6	5.9	6.3	5.7	5.6	6.1	5.6	5.7	5.8
Subsidies less current surplus of govt. enterprises	3.2	3.2	3.1	3.1	3.4	3.4	3.4	3.5	4.4	3.8	3.0	3.2	4.0	3.5	3.1	3.4	4.2

*Preliminary.

Source: U. S. Department of Commerce, Office of Business Economics. Data for 1957 and 1958 are actual; data for 1959 and 1960 are based on estimates in the **Budget of the United States Government for the Fiscal Year ending June 30, 1960.**

Walker Cisler Heads Inv. in America Wk.

PHILADELPHIA, Pa.—Walker L. Cisler, President of The Detroit Edison Co., has been appointed National Chairman of Invest-in-America Week for 1959, which will be observed throughout the country April 26 thru May 2. Mr. Cisler's appointment was announced by Frederic A. Potts, Chairman of the Board of the permanent National Invest-in-America Committee, which is headquartered in Philadelphia. Mr. Potts is President of the Philadelphia National Bank.

Walker L. Cisler

Mr. Cisler, who also headed the week last year, is the first National Chairman from the Midwest and also is the first National Chairman to serve for two years.

Recent National Chairmen for the event have been Theodore S. Petersen, President of Standard Oil of California, 1957; R. George Rincliffe, President of the Philadelphia Electric Co., 1956, and Reese H. Taylor, President of Union Oil Co. of California, 1955.

Born out of a suggestion back in 1949, Invest-in-America Week is a period "when the importance of thrift and savings, which provide capital funds for expansion of business and industry in America, are emphasized," Mr. Potts explained.

Theme for Invest - in - America Week is "Money at work means people at work."

Pacific Coast Exch. Appoints Committees

George W. Davis, Chairman of the Board of the Pacific Coast Stock Exchange has announced the following appointments to Committees of the San Francisco Division for 1959:

Ethics and Business Conduct Committee: R. William Bias, Chairman, Shuman, Agnew & Co.; Brantley M. Eubanks, Stewart, Eubanks, Meyerson & Co.; Duke O. Hannaford, Hannaford & Talbot; R. R. Hodge, Frank C. Shaughnessy & Co.; Joseph A. Johnson, Lawson, Levy, Williams & Stern; Murray Innes, Jr., Irving Lundborg & Co.

Finance Committee: R. W. Wild, Chairman, First California Company, Incorporated; Daniel J. Collins, Holt & Collins; Arthur Gambarasi, Shaw, Hooker & Co.; Walter A. Hamshaw.

Floor Trading Committee: Jack C. Johnsen, Chairman, Parrish & Maxwell; M. J. Duncan, Calvin E. Duncan & Co.; Joseph F. Edelstein, York & Co.; William V. Farrell, Irving Lundborg & Co.; Sherman Hoelscher, Sherman Hoelscher & Co.; Mark O'Donnell, J. Barth & Co.; Herbert J. Yates, III (Alternate); A. G. Becker & Co. Incorporated.

Listing Committee: Kenneth C. Koch, Chairman, Walston & Co. Inc.; Gerald F. Brush, Brush, Slocumb & Co. Inc.; Richard P. Gross, Stone & Youngberg; Robert B. Horner, Elworthy & Co.; John C. Hoyt, Sutro & Co.; G. W. Miller, Jr., Dean Witter & Co.; Albert E. Schwabacher, Jr., Schwabacher & Co.

Floor Information Committee: Joseph A. Johnson, Chairman, Lawson, Levy, Williams & Stern; Richard P. Gross, Stone & Youngberg; Victor T. Maxwell, Parrish & Maxwell; R. E. Van der Naillen, Henry F. Swift & Co.

New Members Committee: George J. Otto, Chairman, Irving Lundborg & Co.; R. William Bias, Shuman, Agnew & Co.; Calvin E. Duncan, Calvin E. Duncan & Co.

Nominating Committee (Elected at Annual Meeting): Charles H. Clay, Dean Witter & Co.; William H. Agnew, Shuman, Agnew & Co.; Mark C. Elworthy, Mark C. Elworthy & Co.; Marco F. Hellman, J. Barth & Co.; Joseph A. Johnson, Lawson, Levy, Williams & Stern; Earl T. Parrish, Parrish & Maxwell.

Forms APCO Investments

GARDEN CITY, N. Y. — Anthony F. Perrotta is engaging in a securities business from offices at 600 Old Country Road under the firm name of APCO Investments. He was formerly with First Investors Corporation and Estates Planners Corporation.

Blossman Hydratane Securities Offered

Public offering of 2,400 units of $1,200,000 principal amount of 5% Subordinated Convertible Debentures, due Dec. 31, 1978 and 120,000 shares of common stock of Blossman Hydratane Gas, Inc., was made on March 3 by an underwriting group jointly managed by S. D. Fuller & Co. and Howard, Weil, Labouisse, Friedrichs & Co. Each unit, consisting of $500 principal amount of debentures and 50 shares of common stock, is priced at $500, plus accrued interest on the debentures from Dec. 31, 1958.

Net proceeds from the financing will be used by the company for the retirement of short term bank notes, and the balance of the proceeds will be added to the cash funds of the company to be available for general corporate purposes.

The debentures will be redeemable at par, under certain conditions, plus accrued interest.

Unless called by prior redemption, the debentures will be convertible on or before Dec. 31, 1978 into common shares of the company, at principal amounts of debentures scaled from $6 on or before Dec. 31, 1961 to $16 on or before Dec. 31, 1978, for each full share of common stock.

Blossman Hydratane Gas, Inc., is engaged in the sale and distribution of liquefied petroleum propane and butane in the states of Louisiana and Mississippi. Approximately 40,350 gas customers are served at retail in 48 parishes of Louisiana and 22 counties in Mississippi.

For the fiscal year ended June 30, 1958, consolidated net sales of the company and its subsidiaries were $3,972,853, while net income was 228,390, equal to 54 cents per common share.

Upon completion of the current financing outstanding capitalization of the company will consist of $23,385 of short-term debt; $1,697,500 of funded debt and 539,289 shares of common stock, $1 par value.

Other members of the underwriting syndicate include Draper, Sears & Co. and Ernest M. Fuller & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointments of Anthony I. Eyring and Robert R. C. Pape as Vice-Presidents of **the Chase Manhattan Bank, New York,** were announced March 3 by George Champion, President.

Mr. Eyring, who joined the Chase National Bank in 1930, was appointed an Assistant Cashier in 1946, and in 1955 was promoted to Assistant Vice-President in the United States department, the bank's national territorial organization. He is with the regional group supervising Chase Manhattan's business relationships in nine western states and Hawaii.

Mr. Pape, in his 35th year with the bank, joined the Chase National Bank in 1924. Appointed an Assistant Cashier in 1952 and advanced to Assistant Vice-President in 1956, he is in the aviation department.

Other promotions also announced by Mr. Champion were those of Alex H. Ardrey, Jr. and Eugene L. Rooks, III, to Assistant Vice-President in the aviation department, and J. Duncan MacLean, to Assistant Vice-President in personnel administration.

Newly-appointed Assistant Treasurers are Madeline R. Burgess, Monica A. Farrell, Helen W. Hover, Juliette D. Mannheim, Gordon F. Ahalt, James F. Maher, Jr., and Arthur H. Phelan, Jr. Named systems and procedures officers were Ralph V. Lenat and Robert C. Predmore.

* * *

The First National City Bank of New York has appointed the following men Assistant Vice-Presidents: Richard V. Banks, Robert P. Fallon, Anthony C. Howkins and Robert Swanson.

The Bank has also appointed William C. Jehlen to Assistant Cashier and Harold J. Green to Manager.

First National City Bank opened a new branch in Rego Park, Queens on Feb. 27, its 78th in New York City.

The new branch is located at 63rd Road and 97th Street, one block from Queens Boulevard. The branch will be in temporary quarters pending completion of a permanent building in the same neighborhood.

* * *

The appointments of Edward A. Henry and Howard S. Shulman as Vice-Presidents of **Manufacturers Trust Company, New York,** are announced by Horace C. Flanigan, Chairman of the Board.

Mr. Henry joined the bank in 1937.

Mr. Shulman joined Manufacturers Trust Company in 1928 and worked in various departments. In October, 1952, he became an Assistant Vice-President.

Mr. Henry is assigned to the bank's Fifth Avenue Office at Fifth Avenue and 43rd Street. Mr. Shulman is assigned to the bank's West 43rd Street Office at 681 Eighth Avenue, New York.

* * *

Stanley van den Heuvel has been appointed Secretary of **The Hanover Bank, New York,** succeeding Dwight A. Horne, who has been elected a Vice-President in the foreign division.

Mr. Horne leaves for London March 11 and will be assigned to the bank's Mount Street office there.

Mr. van den Heuvel joined the bank in 1955 as a Trust Representative. He was appointed an Assistant Vice-President in the personal trust division in 1956 and had been assigned to the Chrysler office.

Mr. Horne, appointed Secretary in 1956, joined The Hanover in 1933. He has served in the operations, personal trust and personnel departments and at the Chrysler office.

* * *

William H. Moore, Chairman of **Bankers Trust Company, New York,** announced March 3 the election of George Kadel, of the Pension Division and Charles S. Yedinack, of the U. S. Government Division, as Assistant Vice-President.

Simultaneously, Mr. Moore announced the appointments as Assistant Treasurer of Joseph H. Boyd, Peter H. Goebels, John W. O'Brien and Harold Walker, of the Bond Department and of Thomas M. Lawlor as Manager of the bank's Prospect Avenue office.

Mr. Kadel has been assigned to pension trust work since joining Bankers Trust Company in 1951, he was named an officer of the bank in 1955.

Mr. Yedinack joined the company in 1922.

* * *

The Franklin National Bank of Long Island, Franklyn Square, New York increased its common capital stock from $14,302,000 to $14,800,000 by a stock dividend, effective Feb. 16 (number of shares outstanding — 2,960,000 shares, par value $5).

* * *

William J. Boyle, President of the **Eastern National Bank of Smithtown, L. I.,** announced the election of James N. Cameron as a Director.

* * *

Clark E. Dixon, Vice-President in charge of **The County Trust Company's, White Plains, N. Y.,** Pleasantville office, retired Feb. 27 under the bank's pension plan. He had been with the company and its predecesor banks in Pleasantville, for nearly 36 years.

Mr. Dixon belongs to The County Trust Company's Quarter Century Club and will further continue his association with the bank as a member of the Pleasantville advisory board.

* * *

First National Bank of Cortland, New York, increased its common capital stock from $700,000 to $800,000 by the sale of new stock, effective Feb. 13 (number of shares outstanding — 16,000 shares, par value $50).

* * *

Edward L. Clifford, President of the **Worcester County National Bank, Worcester, Mass.,** has announced that Albert T. Lindberg, Assistant Cashier has retired from the bank as of Feb. 28.

Mr. Lindberg has been with the bank since August, 1911, when he was employed as clerk and bookkeeper. Eight years later he became a teller, which position he occupied for another two years. From 1921 to 1933 he was a supervisor in the bookkeeping and statement departments, and also acted as Assistant to the Office Manager. In July, 1939, Mr. Lindberg was elected Assistant Cashier.

Mr. Francis J. Kittredge, Assistant Cashier, will move from the bank's office at 344 Main St. to assume Mr. Lindberg's duties in the Main Office opposite City Hall. Mr. Richard A. Gabrielson, recently elected as Assistant Cashier, has been assigned to take over Mr. Kittredge's duties at 344 Main Street.

* * *

Frank Wittland, President of the **Union Savings Bank, Conn.,** died Feb. 23 at the age of 64. Mr. Wittland started his banking career with the **City National Bank and Trust Company.** He was cashier of the **Danbury National Bank, Danbury, Conn.,** before going to Union Savings as Secretary-Treasurer in 1941.

* * *

The common capital stock of **The National State Bank of Newark, N. J.,** was increased from $6,000,000 to $7,000,000 by the sale of new stock, effective Feb. 20 (number of shares outstanding — 560,000 shares, par value $12.50).

* * *

The application of the **Fidelity Union Trust Company, Newark, N. J.,** for an office at Port Newark, approved earlier this month by the State Department of Banking and Insurance, has now received the approval of the Federal Reserve Board, Roy F. Duke, the bank's President, announced. As a state-chartered bank Fidelity Union required authorization from both bodies. Mr. Duke said that construction of the new bank building will start immediately for opening this Spring.

* * *

Following separate meetings, the boards of directors of **The First National Bank of Jersey City** and the **West Hudson National Bank of Harrison, N. J.** announce that the agreement to consolidate the two banks has been signed.

Special meetings of the shareholders of the banks have been set for April 1, 1959. If approved by shareholders and regulatory authorities, the consolidation will take place on April 3.

* * *

A "drive through bank" and electronic center will be established in downtown McKeesport by **Western Pennsylvania National Bank, McKeesport, Pa.**

The extensive project will be installed in a building at Sixth Ave. and Walnut St., not far from the McKeesport Community Office of WPNB. It will be the bank's 18th office.

Approval for the office has been granted by the Comptroller of the Currency in Washington.

* * *

William H. Latimer, Jr. has been appointed Assistant Vice-President in the Trust Department of **Mellon National Bank and Trust Company, Pittsburgh, Pa.** Frank R. Denton, Vice-Chairman of the Bank announced.

Mr. Latimer joined Mellon Bank in 1949 in the Estate Planning Division. In 1952 he was appointed Assistant Secretary, and trust officer in 1954.

* * *

The First National Bank and Trust Company of Milford, Milford, Del., with common stock of $250,000, was merged with and into **Wilmington Trust Company, Wilmington, Del.,** under the charter of the latter and under the title Wilmington Trust Company, effective at the close of business Jan. 30.

* * *

By a stock dividend, the common capital stock of **The First National Bank of Findlay, Ohio,** was increased from $500,000 to $750,000, effective Feb. 17 (number of shares outstanding—37,500 shares, par value $20).

* * *

The North American Bank Company, Cleveland, Ohio, was consolidated with **Central National Bank of Cleveland** on Feb. 28. Effective with the opening of business on March 2, the three North American Offices will become the 28th, 29th and 30th offices of Central National Bank.

The election of six former officers of North American Bank as officers of Central National Bank was announced by President Ben F. Hopkins, Jr. New Vice-Presidents of Central National are John A. Seliskar, Raymond F. Breskvar, Raymond E. Rossman and Gerald A. Herbison. Louis J. Sistek was elected an Assistant Vice-President and John Strekal was named Assistant Cashier.

John A. Seliskar, President of North American Bank at the time of the consolidation, had previously served as Executive Vice-President. In his new position he will continue in an administrative capacity for the three offices and later will join the executive staff of Central National at the main office.

Raymond Breskvar, a veteran member of the North American staff, began his banking career in 1923. Following broad experience in all phases of the bank's operations, he was elected Treasurer and a Director in 1944 and in 1958 was named Vice-President and Treasurer. As Vice-President of Central National, Mr. Breskvar will manage the North American Office at 6131 St. Clair Avenue.

R. E. Rossman was elected a director of North American Bank in 1957 and since early in 1958 has been the officer in charge of public relations and advertising. As Vice-President of Central National he will continue to assist with new business development at the three offices and later join the Commercial Banking Department at the main office.

Mr. Herbison joined North American Bank in 1942 and in 1957 was elected a Vice-President. In his new capacity as a Vice-President of Central National, he will serve as Manager of the Collinwood Office at 15610 Waterloo Road.

Mr. Sistek has been an Assistant Vice-President and Assistant Secretary of North American Bank. His banking experience began in 1923 and includes all phases of commercial banking. He will serve as Assistant Vice-President for Central National at the Collinwood Office.

Mr. Strekal has served the North American Bank for 15 years and has been at the Union-93rd Office since 1947. He was elected an officer in 1952. He will continue at the Union-93rd Office as Assistant Cashier of Central National. His diversified banking background covers all phases of the bank's operations.

* * *

At a meeting of the shareholders of **The Michigan Bank, Detroit, Mich.,** held Feb. 19, an approval was given to increase the common capital stock of the bank from $1,000,000 to $3,000,000, it was announced by John C. Hay, President.

The increase is to be accomplished through the sale of 20,000 shares of new common stock of the par value of $10 each at a price of $50 per share.

* * *

The First National Bank of Dewey, Okla., increased its common capital stock from $100,000 to $150,000 by a stock dividend and from $150,000 to $200,000 by the sale of new stock, effective Feb. 19 (number of shares outstanding—10,000 shares, par value $20).

* * *

Traders National Bank of Kansas City, Mo., increased its common capital stock from $1,000,000 to $1,200,000 by a stock dividend and from $1,200,000 to $1,500,000 by the sale of new stock, effective Feb. 19 (number of shares outstanding—60,000 shares, par value $25).

* * *

Lester Kuhs was elected a director of **Baden Bank, St. Louis, Mo.,** at a recent meeting of the board of directors, James A. Reid, President, has announced.

* * *

The common capital stock of **The First National Bank in Fort Lauderdale, Fla.,** was increased from $1,250,000 to $1,750,000 by a stock dividend, and from $1,750,000 to $2,500,000 by the sale of new stock, effective Feb. 13 (number of shares outstanding — 250,000 shares, par value $10).

* * *

By the sale of new stock, the common capital stock of **Fidelity National Bank of Baton Rouge, La.,** was increased from $1,750,000 to $2,000,000, effective Feb. 20 (number of shares outstanding—80,000 shares, par value $25).

* * *

Mercantile National Bank at Dallas, Texas, increased its common capital stock from $12,500,000 to $13,750,000 by a stock dividend, and from $13,750,000 to $15,000,000 by the sale of new stock, effective Feb. 16 (number of shares outstanding — 1,500,000 shares, par value $10).

* * *

Promotion to Vice-President for Joseph P. Williams in the Controllers Department at the head office of **Bank of America, San Francisco, California** was announced Feb. 18 by President S. Clark Beise.

Mr. Williams, who is also Assistant to the Controller, heads the Bank's Customer Services Research activities which developed the current Bank of America Charge Account Plan.

A banker since 1934 when we was with the **Pennsylvania Company, in Philadelphia, Pa.** Mr. Williams joined Bank of America in 1947 as Chief Position Analyst in the Personnel Relations Department. He has served as Director of personnel research and of organization planning and was named Assistant to the Controller in 1954.

* * *

Edward D. Bodman has been appointed an assistant trust investment officer at **Crocker-Anglo National Bank's** administrative headquarters in San Francisco, it was announced by President Paul E. Hoover.

He joined Crocker-Anglo in August of last year as an investment analyst and will continue to serve in that capacity in his new post.

Vice-President Herbert B. Drake is manager of the investment analysis division of the Bank's trust department.

* * *

By a stock dividend, the common capital stock of **The United States National Bank of Portland, Ore.,** was increased from $20,000,000 to $22,000,000, effective Feb. 16 (number of shares outstanding —1,100,000 shares, par value $20).

* * *

Wallace H. Collie has been appointed an Assistant General Manager of the **Bank of Montreal, Canada,** at the head office in Montreal, it was announced on Feb. 27. Mr. Collie for the past four years has been superintendent of the business development department, whose operations he will continue to direct.

* * *

Gordon R. Ball, 61, President of the **Bank of Montreal, Canada,** died Feb. 28. Mr. Ball began his banking career 45 years ago with the **Merchants Bank of Canada at Perth, Ont.** The Merchants Bank was merged with the Bank of Montreal in 1922.

* * *

The Directors of **Midland Bank Ltd., London, England,** announce that they now propose to implement their original intention of making a rights offer to shareholders simultaneously with the proposed one-for-three bonus issue which has already been announced.

They will offer 2,019,464 of the existing (but unissued) £1 shares to shareholders who were on the register of members on Jan. 5, in the proportion of one new share for every eight then held, at a premium of 20s; i. e. at 40s per share, payable in full on acceptance. Entitlement will be on the number of shares held before the addition of the proposed bonus issue; i. e. the bonus issue and the rights offer will be calculated on the same holdings.

The new shares will rank *pari pasu* with the existing £1 shares and with the proposed bonus shares. The Directors have already announced that they expect, if the capitalization proposals are adopted, to be able to declare, in July, 1959, an interim dividend of 7½% actual and, in the absence of unforeseen circumstances, to be able to recommend a final dividend for 1959 at the same rate, making 15% on the increased capital, for the year; the shares now to be offered for cash will be eligible for these dividends.

The paid-up capital, which is at present £16,155,709, will, after the addition of the bonus shares and the shares offered for cash, be £23,560,410. The published reserves at present amount to £16,155,709. The Directors have already announced that they intend, after the proposed capitalization of reserves relating to the bonus issue has been effected, to restore the published reserves to the present figure, by transfers from inner reserves; the addition to the share premium account arising out of the rights issue will further increase the published reserves to £18,175,173.

* * *

Roberto de Jesus Toro has been elected President of **Banco de Ponce, Puerto Rico,** one of the leading commercial banks of Puerto Rico, to succeed Aristides F. Armstrong who will become Vice-Chairman of the Board, Felix Juan Serralles, Chairman of the Board of Directors, has announced. Mr. de Jesus Toro has been Executive Vice-President of Banco de Ponce for the past five years. Previously, he was Vice-President of the **Government Development Bank for Puerto Rico** from 1951 to 1953. At the same time, Mr. Serralles announced the election of Julio A. Torres as Executive Vice-President of Banco de Ponce. He has been a Vice-President of the bank since 1947. All elections are effective April 1.

Mr. Armstrong has been President of Banco de Ponce for the past eight years and has been associated with the bank for 38 years.

Forms Prudent Inv. Serv.

BROOKLYN, N. Y.—Victor A. Campanile is engaging in a securities business from offices at 1138 Sixty-ninth Street under the firm name of Prudent Investment Service. Mr. Companile was formerly with First Investors Corporation and Vickers Brothers.

Forms S. E. Ind. Secs.

MEMPHIS, Tenn. — William L. Holloway is conducting a securities business from offices at 2071 Union Avenue under the firm name of Southeast Industrial Securities Co.

With Baron, Black

(Special to THE FINANCIAL CHRONICLE)

BEVERLY Hills, Calif.—Alfred E. Arnett, Herschel Chean and Samuel Chean are now with Baron, Black, Kolb and Lawrence, Incorporated, 253 North Canon Drive.

Joins First Southern

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Wade B. Rothwell, Jr. has joined the staff of First Southern Corporation, 70 Fairlie Street, N. W.

A. G. Edwards Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Edward J. Braun, Beatrice M. Kadas, Jerome F. Kircher, William R. Maher, Bill F. Sarni, Joseph P. Tzinberg and Robert C. Bauer are with A. G. Edwards & Sons, 409 North Eghth Street, members of the New York and Midwest Stock Exchanges.

Central States IBA Group 23rd Conference

CHICAGO, Ill. — The Central States Group of the Investment Bankers Association will hold its twenty-third annual conference March 18 and 19 at the Drake Hotel.

Program scheduled will include on March 18 a municipal panel discussion, with W. H. Hammond, Braun, Bosworth & Co., Inc., presiding, and Virgil E. Gunlock, Chicago Transit Authority, Lloyd M. Johnson, Chicago Department of Streets and Sanitation, William J. Mortimer, Cook County Highway Department, Charles L. Dearing, Illinois State Toll Highway Commission, Roy H. Anderson, DeLeuw, Cather & Company, and George W. Burpee, Coverdale and Colpitts, as panelists.

At luncheon March 18 Thomas B. McCabe, Scott Paper Company will address the group on "Inflation in an Expanding Economy."

A forum will be held at 2:30 p.m. with Fred H. Gowen, MacKay-Shields Associates, Inc. as guest speaker on "Outlook for Business and Securities Markets."

Dinner will be held at 7:30 p.m. in the Guildhall of the Ambassador West Hotel.

On March 19 Dan A. Kimball, Aerojet-General Corporation will address the luncheon meeting on "Aerojet's Role in the Missile and Space Age." A panel discussion will be held at 2:30 p.m. on "Sales Tools to Work With," Robert Mason, Merrill Lynch, Pierce, Fenner & Smith, Incorporated, moderator, and Erwin W. Boehmler, Investment Bankers Association of America, John J. Markam, Hornblower & Weeks, Robert O. Shepard, Prescott, Shepard & Co., Inc. (Cleveland), and James E. Snyder, A. C. Allyn & Co., panelists.

Final dinner will be held at 7:30 p.m. in the Grand Ballroom at the Drake.

H. L. Turner Opens

LEXINGTON, Ky. — Henry L. Turner III has opened offices at 1636 North Broadway to engage in a securities business.

Raytheon Display

A three-dimensional view of electronics in action by the Raytheon Manufacturing Company is on display at the Merrill Lynch, Pierce, Fenner and Smith investment center at the Grand Central Station main rotunda. The exhibit which will show how electronics affect a person's daily living, help industry and protect the nation's security is free of charge.

La Grange to Admit

On March 12 Eileen M. La Grange, formerly a limited partner, will become a general partner in La Grange & Co., 61 Broadway, New York City, members of the New York Stock Exchange.

British Investors' Dilemma

By PAUL EINZIG

Considerations underlying British investors' stock buying and selling decisions due to uncertainties revolving around the date and outcome of a general election, the course of the yield spread between comparable British and Wall Street stocks, and other factors, are probed by Dr. Einzig. In revealing the various cross currents, the columnist concludes that the British investors' present response to their dilemma is "if in doubt do nothing."

LONDON, Eng. — Following on the sharp decline on the London Stock Exchange during January and the first half of February, the tone of both equities and government loans during the past fortnight was one of uneasy equilibrium. Both sections of the Stock Exchange recovered some of the earlier losses, but movements are now inclined to be erratic with no definite trend. The *Financial Times* index of Stock Exchange prices is still well under its previous peak. A feeling of uncertainty prevails among investors about the prospects.

Dr. Paul Einzig

A few weeks ago the increase in the chances of a Socialist victory at the general election caused widespread uneasiness. Hence the wave of selling by investors who felt that they ought to be out of the market until after the general election. The popular response to Mr. Macmillan's decision to go to Moscow gave rise to second thoughts. Until recently it was widely assumed that there would be a general election not later than May. Although a spring election can not be ruled out, most people now consider it much more probable that the election would not take place until the early autumn. A definite postponement of the election till October would be a bull point for the Stock Exchange, because a trade recovery is expected to take place during the spring. The effect of such a recovery on the markets would be offset by election fears if the election were to take place in May. On the other hand, should it not take place till October, it would be reasonably safe for investors to remain in the market till the early summer and thereby to benefit by the effect of the business recovery on Stock Exchange prices.

A paradoxical situation arose in this connection. The publication of unfavorable unemployment figures for January, instead of depressing equities, caused a noteworthy recovery on the day of the announcement of these figures. This was because the unfavorable unemployment situation was an additional argument against a spring election.

Owing to this paradoxical situation, the figures of public opinion surveys do not produce at present their former decisive influence on Stock Exchange tendencies. In January a weaker tendency developed some days before the publication of figures, indicating a decline in the Government's popularity in the country. This gave rise to some cynical comments that there must have been some leak of information in advance of the publication of the figures. Today most people would hesitate to rely extensively on public opinion surveys in deciding whether to buy or sell. For an improvement of the Government's popularity might conceivably induce Mr. MacMillan to decide, after all, in favor of a May election, in which case many investors would play for safety and would get out of the market in a hurry. On the other hand, indications of a decline in the Government's popularity would make it certain that the election would be postponed to the autumn and this would induce many investors to get into the market and remain in it in anticipation of business recovery between now and June.

The influence of Wall Street remains, of course, one of the major factors. Opening prices in London are usually affected by Wall Street's closing prices on the previous day. This influence is no longer purely or even mainly psychological. Since the yield on first class British equities is much higher than the yield on the corresponding class of American equities a rise in Wall Street usually stimulates American demand in London. Conversely, a decline in Wall Street, by raising yields of American equities, makes British equities appear less attractive to American investors.

Barring the advent of a Socialist Government this factor is likely to play an important part during the next year or two. Until recently a difference in the yield appeared to be justified partly on the ground that sterling was a soft currency and the dollar was a hard currency. As a result of the restoration of sterling's convertibility on the one hand, and of the development of some degree of uneasiness about the dollar on the other, the difference between the relative hardness of the two currencies is now decidedly smaller. Accordingly, many people take the view that the existing spread between yields in London and in Wall Street is no longer fully justified.

The situation is, of course, always liable to undergo an unfavorable change from the point of view of sterling, as a result of a flight of funds from London in anticipation of a Socialist victory. The British gold reserve is not large enough to enable the British authorities to face such a flight without raising the Bank rate considerably. Once the general election is out of the way, however, and if a Conservative Government is returned, sterling is likely to be less exposed to pressure through withdrawals than the dollar, at any rate for some time to come. In that case the difference in yields on equities will narrow down considerably.

Finally, there is the international political factor. The crisis over Berlin is likely to flare up during the spring and war scares are liable to affect both the London Stock Exchange and Wall Street. The extent and duration of such a crisis is anybody's guess. The likelihood of serious trouble tends to keep investors out of the market regardless of election prospects, trade prospects and Wall Street tendencies.

These various cross currents make it rather difficult for the investors and their advisors to take a clear cut view. It is difficult enough to make up one's mind on the simple question whether or not there is likely to be a spring election and, if so, whether or not a Conservative or Socialist Government is likely to emerge from it. But when in addition to this consideration potential buyers and sellers on the Stock Exchange have to take a view on the international political prospects, the prospects of a trade revival, and Wall Street prospects, many investors are inclined to adopt the old British naval principle of "if in doubt do nothing."

Continued from page 13

A Realistic Solution for Rails' Complete Recovery

which places unneeded men on trains just for the ride — excess baggage which displaces and preempts the jobs of trully essential railroaders. Hoary-headed, coalburner rules still require an inflated number of men on trains and self-propelled passenger cars and work equipment. These surplus men may have been truly needed long ago, but no more.

The position of diesel firemen is a case in point. They once shoveled mounds of coal into giant steamers and were among the hardest workers on the railroads. Now, as stated by the neutral members of Arbitration Case 140, "the change from steam to diesel power left little or nothing for the fireman to do."

Canada has demonstrated the high statesmanship required to deal with this problem. When negotiations on the status of firemen reached a deadlock between the Canadian Pacific Railway and the firemen's brotherhood, the government appointed a Royal Commission of outstanding Canadian citizens to investigate. After months of study and hearings, the Commission handed down its historic decision just a little more than a year ago. It found the fireman's position on diesel engines in either freight or yard service wholly unnecessary. At that stage of the controversy, no other classes of service were a part of the disputed issue.

The fireman's functions, the Commission concluded, "have either totally disappeared, as in the case of the production of power, mechanical assistance and inspection, or are a mere duplication of what is discharged by another or others, as in the case of the lookout functions performed by the headend brakeman and the engineman."

The Commission, significantly, was not impressed with arguments that firemen are necessary for safety reasons. It made on-scene studies of train operations without firemen on this continent and in Europe and found their safety experience comparable to operations with firemen. I might add that over-all railroading is no different here from the system across our northern border. Canada has shown the way toward truly modernized train employment. The lagging United States can do no less than catch up.

The telling burden this type of "make work" imposes on the industry can be measured in the annual cost of unnecessary firing jobs on U. S. railroads. This amounts to more than $200 million. Rules and regulations forcing use of other unneeded men bleed off another $90 million.

Imagine for a moment how much savings of that magnitude would mean to the public in the way of healthier railroads, more purchases and supplier jobs—and more jobs on the railroads themselves as they get back on their feet.

Long Overdue Revision

Now, all I have said up to this point proves just this: Even the most reasonable work standard must in time become wholly **unreasonable** unless improved and tailored to match changing conditions. And no one can deny that revision is long overdue in railroading. That fact has been attested to by the highest authorities who have investigated the problem, including representatives of the Congress, Presidential Emergency Boards, the Interstate Commerce Commission and state regulatory bodies. It is also significant that enlightened labor leaders in almost all other segments of industry recognize that job-output standards must keep peace with changes in technology and employee performance.

Actually, fair reassessment and revision of these ancient work standards are all the railroads seek. Our goal boils down to this simple, reasonable objective: A fair day's work for a fair day's pay.

If we can attain this goal, and if we can couple it with forceful, effective action on the public-policy scene, we will be on our way to a wholly new era in railroading, a new era of vigorous and lusty service to our growing America.

What we do now can mean final recovery of the iron horse from its chronic sickness. I don't mean just half-way recovery to another limping in-between stage—but all the way, to full strength and new growth. This hard vision and practical promise are ours if we will but reach out to seize it.

Recovery Has Started

Let me also add a strictly personal comment. I did not become President of the Association of American Railroads to nurse this proud industry through its last illness. Railroads remain critically ill, but they have started on the road back and they have strong leadership throughout the country which is determined on a program of affirmative action to cure their ills. We are not going to be content with half-way measures. And we shall seek the help of all individuals and groups with the good sense to see what is at stake in this great effort.

Now, I want to make one point crystal clear. I am not attacking railroad labor. There is no more able or conscientious work force in any industry in the nation. I am, however, attacking and condemning the deadly rules our workers must work by . . . rules which limit their creative ability and their output and detract from their dignity . . . rules which are thoroughly un-American in concept and economically destructive in practice.

If railroad labor leaders were before me, I would plead for them to join us in forging this new era of growth and greatness. A half-million railroad jobs have been lost in the last dozen years. Unless we solve our internal and external problems, more thousands of jobs will go down the drain. No labor leader wants that. And neither does any railroad official.

Urges Five Brotherhoods to Join Appeal

So I urge our brotherhoods to act with us to help reverse this disastrous trend. Let's wipe out featherbedding. Let's stop paying men for work they don't do.

Let's stop dissipating our lifeblood in frustrating clashes over rules everyone recognizes as unsound and unfair.

Let's stop arguing over who will get the biggest share of a reeling industry's dwindling income . . . and turn our eyes and hearts to ways to regain strength, expand business and divide the fruits of new-found prosperity.

To our workers, I say, this is their great hope for the future. It is their only hope. It is also America's great hope to get the strong railroads it needs for the normal demands of commerce and the unprecedented demands of war emergency.

Let me illustrate this overriding public interest in wiping out featherbedding with just two specifics:

Gives Two Specifics

First, the peace of the world—and the continued freedom of our own country and all other free nations—is utterly dependent today on the continued strength and resources of America. The military mobility of our nation, in event the cold war ever suddenly flares into a hot war, is of transcending importance.

In World War II the railroads were called upon to handle over 90% of military freight and 97% of all organized movements of military personnel. This is an achievement of which all of us in transportation have a right to be proud. But we must also be deeply disturbed over the fact that the railroads do not now have the equipment and capacity to handle the military passenger volume imposed on them in the last war. It is also a blunt fact, which we cannot afford to ignore, that under the conditions of World War II, highway and air transport would be entirely inadequate to carry the load. Reliance would have to be placed on the railroads. Full recovery of the railroad industry is of paramount security importance to the American people.

Second, President Eisenhower, in his annual economic message to Congress last month, called for an all-out national campaign to halt inflation. He warned that the United States can become increasingly prosperous only if it holds the line against price increases, and called upon labor, businessmen and consumers to join the government in a drive to achieve "inflation-free, sustainable growth." Wage gains that outrun increases in industry's productivity were singled out as a primary cause of higher prices.

The elimination of half-a-billion dollars a year in wholly non-productive make-work and featherbedding in the railroad industry would represent a tremendous contribution to the fight against inflation. For nothing is more inflationary than pay for work not done, for services not performed, for goods not produced. Featherbedding goes hand in hand with the high and rising cost of living.

Then we must recognize still a third and more pressingly immediate symbol of the public interest. In these times of upheaval, America cannot afford the luxury of labor-management discord in a vital industry. Nor can it tolerate work stoppages and the inexorable grinding down of the economy that would come if train wheels stop turning.

The nation has just emerged from serious trouble resulting from strikes in air transportation. I do not belittle that trouble when I say that what we have seen is but a token of the economic disruption and personal hardship a railroad tie-up would bring. So while we seek labor's earnest cooperation in preventing full-scale crisis, we cannot bury our head in the sand. It is time to face up to the possibility of tie-up—and time to take forthright action to make sure it does not happen.

I therefore propose this first step toward solving the problem of featherbedding on the railroads: That leaders of the train operating brotherhoods join with railroad management in asking President Eisenhower to name a non-partisan group of distinguished citizens to study this whole question.

Such a special commission should go to work immediately, well in advance of any transportation crisis, preparing an independent and objective appraisal that will protect the welfare of our country, the solvency of the railroad industry and the security of its workers.

We all recognize what exceedingly heavy burdens are carried by the President, and none of us would unnecessarily add to these responsibilities. We feel, however, that our urgent request is justified because of the transcendent national significance of a sound solution to the featherbedding problem.

Accordingly, I am sending today a letter to the leaders of the operating brotherhoods, asking them to join with me and other railroad executives in requesting presidential action on a Commission. Labor can do the nation—and itself—no greater service than to join us now in seeking the government's help in laying a basis for sound, new work standards in the railroad industry.

The job of breaking the featherbed chains around our industry is going to be the most difficult labor issue ever faced in railroading. Both the brotherhoods and management need help. And we cannot shrink from seeking it. The American people themselves have too much at stake on the outcome. Only through the wholehearted cooperation of management, labor and public leaders can we hope to free the nation from the wastes of featherbedding and from the multiplying penalties of a weakened industry.

In closing, let me say again to shippers and to all America that railroadmen know only too well that the road back for our industry is a rugged one—but we intend to leave nothing undone to regain our place as a dynamic, progressive business. During the months ahead when this crucial issue is being decided, we will need your warmhearted support and understanding. In return, we will express our gratitude in the one way you will understand best—in the rebuilding of a great industry, in new achievement and in new benefits for all the nation.

Moore Retires as Chi. Title & Trust Exec.

CHICAGO, Ill.—Harold A. Moore, Senior Vice-President of Chicago Title and Trust Company, retired on Feb. 28, 1959 after 28 years of service. He will continue on the board of directors of the company.

Mr. Moore entered the employ of Chicago Title and Trust Company in 1931, became Vice-President in 1937, retained his position as Vice-President and was elected Treasurer in 1945 and Senior Vice-President in 1947. He has been a Director of the company since 1946. He also served as President and a Director of the Chicago Title and Trust Building Corporation.

Following his retirement as an officer of Chicago Title and Trust Company, he will continue to have an office in the company's building at 111 West Washington, Chicago. He will remain as Chairman of the Coordinating Committee of the Chicago Central Area Committee, an organization formed in January, 1956, to work for the improvement and strengthening of the central business district of Chicago.

Equity Plan in Newark

NEWARK, N. J.—The Equity Plan is conducting a securities business from offices at 60 Park Place. Officers are Alan Turtletaub, President; Owen C. Meddles, Vice-President; and E. R. Soffer, Secretary.

J. E. Conroy Opens

WHITE PLAINS, N. Y.—James E. Conroy is engaging in a securities business from offices at 234 Marine Avenue.

Louis Busell Opens

Louis Busell is conducting a securities business from offices at 60 Knolls Crescent, New York City.

Phila. Secs. Assn. Appoints Committees

PHILADELPHIA, Pa.—Spencer D. Wright, III, of Wright, Wood & Co., President of the Philadelphia Securities Association, announced the appointment of various committees of the Association to serve for the ensuing year.

Gordon L. Keen of R. W. Pressprich & Co. was named Chairman of the Arrangements and Outing Committee, and Henry McK. Ingersoll of Smith, Barney & Co., Vice-Chairman. Others on this committee are: John A. Thiers of Janney, Dulles & Battles, Inc.; Robert G. Rowe, Jr. of Paine, Webber, Jackson & Curtis; John P. McCoy of Thayer, Baker & Co.; Robert S. Marsh of Schmidt, Roberts & Parke; Willard M. Wright, Jr. of Kidder, Peabody & Co.; John B. Muir of Elkins, Morris, Stokes & Co., and Frederick T. J. Clement of Drexel & Co.

Membership Committee: Phillips B. Street of The First Boston Corporation, Chairman; John D. Foster of Studley, Shupert & Co., Inc.; Harry B. Snyder of Yarnall, Biddle & Co., and William Z. Suplee of Suplee, Yeatman, Mosley Co., Inc.

Program Committee: Warren V. Musser of Philadelphia Securities Co., Inc., Chairman; William A. Lacock of E. W. Clark & Co., and Richard M. Newnham of Brooke & Co.

Directory Committee: John C. Van Roden of Boenning & Co., Chairman, and Wallace Peterson of Boenning & Co.

Public Relations Committee: E. Howard York, 3rd, of Doremus-Eshleman Co., Chairman.

Regional Inv. Co. Opens

BROOKLYN, N. Y. — Raymond L. Simon and Leon A. Friedenthal have formed Regional Investment Company with offices at 1251 East 56th Street to engage in a securities business.

Forms Scott Planning

BROOKLYN, N. Y. — Scott Planning Company has been formed with offices at 40 Lincoln Road to engage in a securities business. Bernard L. Sorkin is sole proprietor.

Security Inv. Co. Opens

QUEENS VILLAGE, N. Y. — Jacob H. Rosen is conducting a securities business from offices at 222-13 Ninety-first Road under the firm name of Security Investment Co.

Joins Jaffe, Lewis

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Chris Markos has joined the staff of Jaffe, Lewis & Co., 1706 Euclid Avenue, members of the Midwest Stock Exchange. He was formerly with John S. Green & Co.

With Joseph, Mellen

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Florence G. Duncan has joined the staff of Joseph, Mellen & Miller, Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Joins Pitser Staff

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Joseph M. Broughton, Jr. has become affiliated with Pitser & Company, 615 Hillsboro Street.

A Long-Term Investor Looks At Chemical Industry

By RICHARD E. WOODBRIDGE, III*
Second Vice-President, New York Life Insurance Company, New York City

Aware that the mechanical and arithmetical aspects of successful investing are well known, Mr. Woodbridge's paper on how to evaluate chemical, or other, firms offers pointers on appraising the intangibles. The insurance investment department head, for example, focuses attention on the use of the "du Pont formula," assessment of firm's personnel and personnel practices, insight provided by types and extent of research and, importantly, the patent record. He tabulates the holdings of larger life companies in major chemical firms and concludes long-term investing is "half science, half art."

I want to cover three things: **First,** long-term investors, as exemplified by life insurance companies, as investors in the chemical industry. **Second,** how a long-term investor goes about evaluating a chemical industry investment; and, **third,** the use of patents as an aid to getting an understanding of the research activities of chemical companies. These are going to have to be covered very briefly, but I speak on them because I think they are of common interest and consideration of them may assist in creating between insurance and chemical companies a greater area of mutual understanding.


R. G Woodbridge, III

Now, what I relate should not be interpreted as the official words and thinking of the New York Life Insurance Company or that I am speaking for all long-term investors. What follows are my own personal thoughts on this subject.

So we can all be sure we are speaking the same language, let me first define a term or two.

Generally speaking, a long-term investor is an investor who is thought of as investing money in a business and who expects his money to remain invested from 10 to 15 years or longer. Historically speaking, life insurance companies, have been long-term **investors,** and until very recent years have been almost exclusively long-term **lenders.** While in recent years the laws of the State of New York, under which we operate, have been modified to permit us to hold a small amount of common stock, the bulk of our portfolio is still and will continue to be in debt-type obligations. To give you some scale of magnitude let me say that the total admitted assets of the New York Life Insurance Company approximate $6.4 billion. Of this $6.4 billion very approximately 85% may be thought of as being invested in debt type obligations. Today, something in the neighborhood of 20% of our total portfolio is in industrial securities. Today the industrial securities category is the second largest category in our portfolio. It is interesting to note that 20 years ago industrial investments were so small as to be almost negligible.

Defines the Chemical Industry

To define "the chemical industry" is extremely difficult. I like to think of the term, the chemical industry, as a rather artificial characterization. It is a term full of incongruities. For example, one never thinks of water companies as being a part of "the chemical industry," certainly Wall Street does not think of water companies as being part of "the chemical industry," although the water companies probably produce and distribute the purest chemical, which is obtainable in the largest amount.

Let me ask whether a company that makes iron a chemical company?—or sugar?—or sulfuric acid?

What do the statistics for "the chemical industry" look like if we include water companies, aluminum companies, companies that make synthetic fibers, companies that make paint? If there is any coherence and sense at all in the term "the chemical industry" as used and accepted today it probably signifies those companies which have product lines within the broad discipline of chemistry that are rather unfamiliar to the general public. This eliminates companies such as water companies, iron companies, sugar companies—whose products are as "chemical" as sulfuric acid but are not thought of as being part of "the chemical industry."

Now with this definition in mind a list of companies can be drawn up that fairly well fits—and this I think is "the chemical industry" as it is generally thought of. You know the names—duPont, Carbide, Allied Chemical, Monsanto, Dow—and so on.

Parenthetically, just a word here—there may be some of you who have the feeling that this definition has something about it that is not basic, not fundamental, perhaps even arbitrary—bordering on the capricious. But do not belittle it. It fills a real human need, and in that sense has a real value and significance.

I think I can say that long-term investors have liked and do like the "chemical industry" as that term is generally used.

Insurance Firms' Chemical Investments

The accompanying table illustrates this liking. It has been put together from the financial books and manuals. It shows the total holdings of the major insurance companies in the major "chemical companies."

Of the 10 major chemical companies listed, New York Life had investments as of Dec. 31, 1957, in eight, Metropolitan in seven, John Hancock, Aetna and Mutual of New York in five, Northwestern Mutual in four, Massachusetts Mutual in three, and Equitable in one.

As far as common stock investments alone are concerned, New York Life had investments in seven of these chemical companies, with Mutual of New York being second with holdings in five.

On a common shares basis, New York Life again led, holding a total of approximately 137,000 shares of the common stock of these chemical companies.

A table such as the accompanying reflects many things—but let me just speak of two. In order for any investor to make an investment in a company, a company must have issued securities **of the type** the investor buys and must have securities of **the quality** the investor needs. For example—if an investor, as a matter of policy, invests only in bonds, he will not have an investment in a company that has no bonds out, but even though a company has bonds out, an investor who buys bonds will buy those bonds only if they have the required quality aspects.

While there are fascinating problems in investment in the area of security types and their relation to investment responsibilities and investment objective—bonds versus common stock—and so on, let me confine my remaining observations to the area of the quality of securities and its evaluation—and this leads immediately to the subject of PEOPLE, because you have got to see through "security evaluation," through "business analysis," to the fundamentals of any business—which is PEOPLE.

Evaluating Chemical Firms

We must assure ourselves as to the people in whom we invest our funds. And how do we assure ourselves about people?—Because it is people in which we invest. We have got to look to more than **today's** brick and mortar, **today's** line of products. Our money is out for a long time. When we make a loan, for example, it has to be successful into the distant future.

There are many approaches to this problem of assuring ourselves as to people. **We** bring to this problem all disciplines at **our** command.

We have in our investment department some 50 people who, working together, bring to bear on all investments their respective specialties. We have a large group of financial analysts. We have in our department an outstanding economist and a staff to assist him. We have in our department people with scientific, engineering and industrial backgrounds who are specialists in technological businesses. You will be interested to know that we have in our investment department—three people professionally trained as chemical engineers or chemists.

Now just what do we do when we, for example, attempt to evaluate the people who are a chemical company. First, drawing from generally public sources we look at **their past record.** We look at the past record expressed in classical accounting terms such as are used in company financial statements. We look at the past record of commercial-technical accomplishments as expressed in products, in patent records, in scientific and technical papers. From this we attempt to judge how successful the people in a company have been in the past and what the present situation is today.

When it is possible to make personal contact with a company of course we can often get deeper information which will permit us to do a better job of investing and very often permit us to be of greater service.

From the examination of the past record and present situation we attempt to judge how a company will behave over the next 10 to 20 or more years. This is a difficult thing to do. We bring to bear on it the entire background of business, economic and scientific knowledge possessed by those in our investment department. Each putting against the background of the future, as he sees it in his area of knowledge, the specific company under consideration, ascertaining as well as he may from his judgment of the peoples and personalities involved how a particular group of people who are a business will meet the changes to be expected in the future.

Let me say that the essence of a successful investment operation such as ours is complete team effort. The scientific man, the economist, and financial analyst must work together to interpret present and also future intricacies of all aspects of a business. For example, what will be the inventory problems under adverse economic conditions of a manufacturer of caustic and chlorine? Another example—how certain is the future for a new textile fiber for which a company wants to borrow many millions of dollars to build a new plant.

Another example—in view of technical-economic developments—is this company which has come into us going to face product obsolescence?

Inasmuch as our investments extend out into the distant future, we try to do a very thorough job in assuring ourselves that the company under concern is doing a good job preparing for its future. Has it well thought out the problem of key-man succession—whether that key-man is the president or sales manager? Is the company attracting capable young men—because it is the young men of today who will pay back our loan sometime in the future? **Is** it holding these young men?

I hope I have given some little idea of investing from the point of view of an informed investor. Whether an electronic company, a uranium company, a chemical company, an iron company or what you will, new and small, or old and big, the procedure generally is the same.

Perhaps it is expected that I should have discussed numerical

HOLDINGS OF MAJOR LIFE INSURANCE COMPANIES IN MAJOR CHEMICAL COMPANIES ✓

Ten Major Chemical Companies	Ten Major Life Insurance Companies (As of Dec. 31, 1957)									
	Metropolitan (New York)	Prudential of America	Equitable Life Assurance	New York Life	John Hancock	Northwestern Mutual (Mil.)	Aetna Life (Hartford)	Travelers	Mut. of N.Y.	Massachusetts Mutual
DUPONT										
Common (shs.)	None	18,800	None	14,200	13,500	None	5,400	None	2,000	None
Pfd. (shs.)	85,700	41,200	None	125,340	61,125	7,300	10,000	None	22,575	36,775
Debt. ($'s, 000)	*	*	*	*	*	*	*	*	*	*
UNION CARBIDE										
Common (shs.)	None	28,500	None	10,500	31,000	None	8,200	None	4,000	None
Pfd. (shs.)	*	*	*	*	*	*	*	*	*	*
Debt. ($'s, 000)	201,335	195,335	None	None	None	None	None	None	None	None
ALLIED CHEMICAL										
Common (shs.)	None	28,000	None	10,970	None	None	None	None	None	None
Pfd. (shs.)	*	*	*	*	*	*	*	*	*	*
Debt. ($'s, 000)	None	None	None	None	None	None	5,000	None	None	None
DOW										
Common (shs.)	None	None	None	None	None	None	None	None	None	None
Pfd. (shs.)	*	*	*	*	*	*	*	*	*	*
Debt ($'s, 000)	45,000	None	None	15,000	2,000	None	None	None	1,000	1,000
MONSANTO										
Common (shs.)	None	None	None	16,334	41,616	None	None	None	10,836	None
Pfd. (shs.)	*	*	*	*	*	*	*	*	*	*
Debt. ($'s, 000)	69,500	None	38,250	29,500	None	5,000	3,000	None	3,500	None
CYANAMID										
Common (shs.)	None	None	None	34,000	50,000	None	16,800	None	None	None
Pfd. (shs.)	*	*	*	*	*	*	*	*	*	*
Debt. ($'s, 000)	41,875	9,375	None	None	13,500	None	None	None	None	3,175
HERCULES										
Common (shs.)	None	None	None	19,600	None	6,000	None	None	9,100	None
Pfd. (shs.)	400	None	None	None	None	None	None	None	None	None
Debt. ($'s, 000)	*	*	*	*	*	*	*	*	*	*
MERCK										
Common (shs.)	None	None	None	31,800	None	None	None	None	2,500	None
Pfd. (shs.)	None	None	None	None	None	2,500	None	None	13,200	None
Debt ($'s, 000)	*	*	*	*	*	*	*	*	*	*
ROHM & HAAS										
Common (shs.)	None	None	None	None	None	None	None	None	None	None
Pfd. (shs.)	None	None	None	None	None	None	None	None	None	None
Debt. ($'s, 000)	*	*	*	*	*	*	*	*	*	*
GENERAL ANILINE										
Common (shs.)	None	None	None	None	None	None	None	None	None	None
Pfd. (shs.)	*	*	*	*	*	*	*	*	*	*
Debt. ($'s, 000)	33,000	None	None	None	None	None	None	None	None	None

✓ Based on data published in "Corporate Holdings of Insurance Companies 1958" United Statistical Associates, Inc., New York. And in the Fortune Directory. In certain instances above figures should be considered as approximate.

* This symbol indicates that the Company does not have any securities of that nature outstanding.

*From a talk by Mr. Woodbridge before the Manufacturing Chemists Association, New York City.

figures, ratios, or arithmetic mechanisms which you might think we use in deciding whether or not a possible investment would be good or not. We, please be assured, look at all sorts of numbers, numerical bench marks, and ratios, and go through a great many arithmetical processes which with a little trouble you can find in any competent text book on financial analysis.

"duPont Formula"

A method of working through a company's financial figures which I have found very valuable is to apply what I generally think of as the "duPont formula" with its attendant concept of return on investment and supporting ratios. It often affords an important insight as to how a company operates its business, and many times provides an explanation as to a company's behavior. When used with judgment and discretion the "duPont formula" can be of real value in elucidating many investment situations.

This is not the place for a detailed presentation of the "duPont formula." But let me say briefly for those not familiar with it—it simply is an analysis of the factors affecting return on investment.

Return on investment, according to this analysis, is the product of two ratios: (1) "Turnover," and (2) Earnings as a percent of sales.

Now, "turnover" is the ratio of sales to total investment, which is considered to be the sum of permanent investment and working capital. The latter being the sum of inventories, accounts receivable and cash.

"Earnings as percent of sales" is the ratio of earnings to sales. Earnings is sales less the cost of sales; with cost of sales being the sum of mill cost of sales, selling expenses, freight and delivery and administrative expenses.

The major value to me in this analysis is that **by applying it** one often gains considerable insight into a company and an understanding of its problems and the actions of its management.

It has the virtue of being a dispassionate approach. It is reasonably simple and direct. It is comprehensive, in the sense of involving relationships between P & L items and balance sheet items. And it **does** focus attention on a fundamental concept that of return on investment.

Evaluating Research

We pay a lot of attention to what is called research — but which is just one of the many factors which have to be given consideration when trying to determine how well a company is handling today its business problems of tomorrow.

Now about research. There are all kinds of research: market research, research undertaken to determine best financing methods, research undertaken by personnel departments to determine for example trends in salary scales and many more—but let me confine myself now to what is thought of as research in the domain of physical materials. To the extent that material things are a factor in a company's business—to that extent we give this sort of research our attention. This sort of research will embrace of course research in chemistry, physics, electronics, engineering and many other fields.

And how do we evaluate this sort of research? It is very difficult to do—and what we really do, though this is a gross oversimplification—is to evaluate people and what they are trying to do. Again we turn first to the public record. In this instance we lean heavily on technical and trade journals as to who a company's technical people are and the type of quality of their accomplishments. We also have found that a company's advertising over the years is helpful in getting an idea as to its record of new products introduced.

One area of public knowledge which we have found valuable in ascertaining the who, what, where, when, and how of research — is the patent record. I know of no instance in the past ten years, where we have invested in a "chemical company" where we have not first made a patent study. Of course patents must be approached with a real understanding and appreciation of the many factors underlying a company's patent position and activity.

You may be interested in some figures on patents. These are easily obtainable by anyone who takes the time to count patents as noted in the "Patent Office Gazette."

U. S. Patents Issued to Ten Major Chemical Companies

COMPANY—	Sales—1957 (000,000)	Number of Patents 1944	1945	1946	1947	1956
duPont	$1,964	385	379	429	317	455
Union Carbide	1,395	111	75	69	84	137
Allied Chemical	683	57	53	35	35	64
Dow	628	92	128	48	43	200
Monsanto	567	48	82	54	48	238
Cyanamid	532	137	217	136	153	278
Hercules	245	111	119	59	31	75
Merck	187	19	33	15	20	60
Rohm & Haas	174	52	50	48	19	72
General Aniline	138	47	30	29	55	101

(Compiled: 1944-1947, R. G. Woodbridge, III, NYLIC; 1956, Miss Monica Freund, NYLIC.)

You may well ask "of what use is such a table?" We use such a compilation of facts—**along with a lot of other facts**—to help us get some idea of what is going on. I know that most of the companies listed above do this. We do it for exactly the same reason they do it.

Patent studies are of considerable assistance in many ways: for example it can give us information as to a company's research staff. It can be of great comfort to know that a company whose products are in a rapidly changing area has affiliated with its research operation—say a Nobel Prize winner. It may be of some concern to learn that a top flight research man is now assigning patents to another company. Patent studies can be of help in ascertaining whether a company, whose area of business is being "invaded" (I use the term advisedly) by other companies, is turning its research efforts towards more bulwarked products. A case in point is the "invasion" of the organic chemical products field by the petroleum companies. Is a company whose products today are primarily organic in nature doing what it should research-wise to develop tomorrow's products in areas difficult to encroach on by the petroleum companies?

Best Evaluation Technique

One of the best approaches to evaluating a company's technological research is to be so well informed as to the basic technological-economic aspects of a company, involving such things as processes, products, by-products, wastes and so forth that on putting this whole picture against all supporting technological-economic factors and applying a little clear thinking, one can, in a sense, build up an "ideal" research program for a company which can be matched against past activities and present and contemplated research. We have found this approach of very great value to us.

Now in this paper I have touched on three things: life insurance companies as investors in chemical industry; how a long-term investor evaluates an investment; and the use of patents as an assist in understanding research activities.

Before I close I want to emphasize this—successful investing is not a cut and dried mathematical procedure, it is far from a science. If it can be characterized at all it might be thought of as half science half art. The mechanical and arithmetical aspects are well known. It is success in the area of evaluating the intangibles, of looking into a cloudy future, or judging people and personalities that mark the successful investment person.

Yes, long-term investors like the chemical industry, I should more correctly say we like successful companies in the chemical industry, but we also like successful companies in the electronics industry, the water industry, the automobile industry, the public utility industry, and others too numerous to mention here. The problem — is to pick successful people in whose hands we can entrust for a relatively long period of years the precious funds which represent security to our policyholders.

Not only must we do a successful job ourselves in evaluating investments for the New York Life Insurance Company, but we also have an obligation to American industry and to the Nation's economy as a whole to see that the funds available to us for investment are put to worthwhile and constructive uses.

FHLB Notes on Market

A new issue of $96,000,000 Federal Home Loan Banks 3⅜% Series F-1959 non-callable consolidated notes dated March 16, 1959 and due Sept. 15, 1959 was offered yesterday (March 4) by the Federal Home Loan Board through Everett Smith, Fiscal Agent of the Home Loan Banks, and a nation-wide group of security dealers. The notes were priced at 100%.

Net proceeds from the public offering will be used, together with current funds of the Home Loan Banks, to retire $130,000,000 principal amount of notes maturing on March 16.

Upon completion of the financing the Home Loan Banks will have reduced outstanding indebtedness by $34,000,000, to a toal of $706,235,000.

Wall St. Securities

JAMAICA, N. Y. — Wall Street Securities Corporation has been formed with offices at 91-9 169th Street to engage in a securities business. Murray Kaplan is president.

Smith, Holly Co. Formed

Smith, Holly Co., Inc. is engaging in a securities business from offices at 40 Exchange Place, New York City.

Form Venture Options

Venture Options, Inc. has been formed with offices at 730 Fifth Avenue, New York City to engage in a securities business.

Bateman, Eichler Branch

LONG BEACH, Calif. — Bateman, Eichler & Co. has opened a branch office at 4252 Atlantic Avenue under the direction of Floyd O. Mason.

Now Proprietor

Thomas H. Byrd is now sole proprietor of Byrd Brothers, 60 Broad Street, New York City.

Brown Brothers Harriman & Co. Honors Thomas J. McElrath

Thomas J. McElrath, Manager in the banking firm of Brown Brothers Harriman & Co., was presented with a silver tray following a luncheon on Monday, March 2, in honor of his fifty years service with the firm. Mr. McElrath joined the bank on March 1, 1909. He was in charge of the Accounting Department for many years and was Comptroller from July 13, 1948, until Dec. 1, 1956, when he was made a Manager of the firm. He saw service in France with the Medical Corps during World War I and has been active in the American Legion and in civic affairs in North Plainfield, N. J., where he lives. Attending the presentation ceremonies in the Partners' Room at 59 Wall Street were (left to right in the picture), L. Parks Shipley, Elbridge T. Gerry, Thomas McCance, Mr. McElrath, E. Roland Harriman, Harold D. Pennington and Frederick H. Kingsbury, Jr., all Partners of the firm, except Mr. McElrath and Mr. Pennington, who was formerly a Partner but is now retired.

Two New Dirs. Elected To Chem. Fund Board

Stockholders Approve 2-for-1 Stock Split

WILMINGTON, Del. — The stockholders of Chemical Fund, Inc. re-elected 12 members of Fund's board of directors and

Dr. Roger F. Murray Leroy F. Marek

elected two new directors to fill vacancies on the fund's board, it was announced following the annual meeting. The new board members are Leroy F. Marek, senior Vice-President of Arthur D. Little, Inc., and Dr. Roger F. Murray, Professor of Banking and Finance at the Columbia University Graduate School of Business.

At the annual meeting, Chemical Fund stockholders also approved a 2-for-1 split of the fund's capital stock. To effect the split, the stockholders approved an increase in authorized capital stock from 15,000,000 shares of 50 cents par value to 30,000,000 shares of 25 cents par value. Stock certificates, representing one additional share for each share held, will be mailed on April 15, 1959 to all stockholders of record March 26, 1959. The entire cost of splitting the stock will be borne by the fund's sponsor and not by Chemical Fund, Inc. The fund previously split its stock 2-for-1 in June, 1955.

Chemical Fund, Inc., a mutual fund founded by F. Eberstadt & Co. in 1938, diversifies its investments over a wide range of companies in many industries which the fund's management believes will achieve above average growth as a result of chemical research and development. As of March 3, 1959, the fund was supervising over $200 million in assets for more than 48,000 investors.

LETTER TO THE EDITOR:

New Accounting Concept Suggested For Depreciation Reserves

A new accounting principle is advanced by New England correspondent to overcome the inadequacy of depreciation reserves and impracticality of projecting replacement depreciation costs. Mr. Haines would give full recognition to depreciation reserves as part of total capitalization by crediting and allocating to it all of its earnings rather than continuing the practice of siphoning off the reserve's earnings into earned surplus. He provides examples showing how this plus straight line depreciation could take care of most of any replacement cost. In short, he queries the customary earnings to share ratio for "not giving credit where credit is due."

Editor, Commercial and Financial Chronicle:

INADEQUACY OF DEPRECIATION RESERVES to meet replacement costs is getting much publicity currently. The principle of depreciation is to charge to income the original cost during the useful lifetime of an asset thus providing capital funds at replacement time. Some corporations would like to depreciate replacement cost but this is untenable for two reasons: (1) one does not know whether we are going to be in an inflationary period or a deflationary one, hence a projected replacement cost is ridiculous; (2) plants, tools and machinery are constantly being improved and made more efficient so that the asset being depreciated probably will not be exactly duplicated at replacement time and the refinements would make it cost more even in a period of price stability.

Clarence H. Haines

Suggests New Accounting Concept

In my opinion utilizing what is to the best of my knowledge a NEW CONCEPT IN ACCOUNTING PRINCIPLES it is possible to have the Reserve for Depreciation more nearly cover replacement costs in periods other than those of drastic price changes. My theory is that there is one factor in the total capitalization of a corporation which is earning its way and not recognized or given credit for what it is doing. The components of the total capitalization of a corporation are:

(1) Debt which pays interest to the holders of the obligations;
(2) Preferred stock which pays dividends to the owners;
(3) Common stock which pays dividends plus the advantage of the increased equity from retained earnings;
(4) RESERVE FOR DEPRECIATION which gets nothing. This reserve is charged off earnings retained in the business as capital. The earnings on the Reserve for Depreciation do not belong to the common stockholders except in liquidation. Therefore, if the earnings on this reserve were deducted from Earned Surplus (the same as preferred and common dividends) and transferred to the Reserve for Depreciation I think our accounting for depreciation would be more adequate and proper.

Provides Examples

Now I would like to show how this might work out in practice. Let us assume that at the end of December, 1949, a corporation paid $12,000 for a truck to be depreciated straight line over eight years at 12½% a year. By the customary method on Dec. 31, 1957, the Reserve for Depreciation of this truck would be $12,000, on the other hand the cost of replacement would approximate $16,800 or 40% more. In this hypothetical case I am using the actual total capitalization and earnings of a large listed corporation known to everyone. To determine the rate earned on the Reserve for Depreciation I am using the following formula applied to each year:

Rate earned on Reserve for Depreciation

TOTAL CAPITALIZATION (Notes, bonds, preferred, com., capital & earned surplus + the Reserve for Depreciation)) TOTAL EARNINGS ON TOTAL CAPITALIZATION (Net income + interest paid on all debt)

The annual results would be as follows—

	% Earned on Reserve for Depreciation	Truck Annual Depreciation Charge	$ Earnings on Reserve for Depreciation	Accrued Reserve for Deprec. of Truck
1950	---	$1,500	---	$1,500.00
1951	6.05%	1,500	$90.75	3,090.75
1952	5.80	1,500	179.26	4,770.01
1953	6.85	1,500	326.74	6,596.75
1954	7.00	1,500	462.43	8,559.18
1955	7.85	1,500	671.90	10,731.08
1956	8.00	1,500	858.48	13,089.56
1957	8.45	1,500	1,106.06	15,695.62

In this particular company this concept of accounting practice would have taken care of a 30.6% increase in the replacement cost.

Now I would like to show what the overall effect would have been on this consumer industry company had the new concept of accounting been adopted for the total Reserve for Depreciation. In the Dec. 31, 1957 balance sheet the Reserve for Depreciation was reported at $48.5 million and my suggested adjustments would have increased this figure to $76.1 million or an increase of 57% which would certainly take care of most any price increase for replacements in this eight-year period. During this same period the transfers from Earned Surplus to Reserve for Depreciation would have decreased the common per share earnings by 8.3% but the dividends paid would still average 72% of the adjusted earnings which is respectable for a consumer stock.

Raises Query

Probably what I have said above is that corporation earnings on a per share basis have been overstated by not giving credit where credit is due!

CLARENCE H. HAINES

Investment Department
Harvard Trust Company
Cambridge, Mass.
February 17, 1959.

Continued from page 6

Replacing Our Export Policy With U. S. Investments in Europe

of a great 800-room Hilton Hotel in the "Eternal City."

Belgium, Holland and Switzerland

Belgium and Holland were at first a little more affected by the American recession than the larger countries but recovered during the second half of 1956. The Bruxelles international fair visited by more than 40 million people, was naturally a rich plum for the Belgain economy and compensated for the pinch Belgium felt with declining steel and zinc exports. Belgium without fanfare remained a focal point for American investors. Besides giants such as E. I. duPont deNemours and the Union Carbide Corporation, a number of other American companies have erected branch plants in Belgium.

Switzerland as usual presents a solid and sound political and economic aspect. Balance sheets of 62 Swiss banks totaled by the Swiss National Bank at the end of 1958 amounted to 36,100,000,000 francs against 32,900,000,000 francs at the end of 1957. While the export business for Swiss machinery remained satisfactory, the watch industry registered a decline. Export of watches to the United States fell from 380,000,000 francs in 1957 to 318,000,000 francs in 1958.

The European Common Market and the Free Trade Zone

Any survey of economic conditions in Western Europe would remain incomplete without an effort to discuss the importance of the European Common Market (ECM) and its implications for our American economy.

The O.E.E.C., Organization of European Economic Cooperation, includes today the following countries: Britain, Iceland, Denmark, Sweden, Norway, Ireland, Portugal, Switzerland, Austria, Greece, Turkey, France, Italy, West Germany, Belgium, Holland and Luxembourg. The latter six have formed the so-called European Common Market, found in 1957 with the purpose of eliminating custom and other trade barriers between the members, permit free movement of labor, capital and services, develop common agricultural and transport policies, establish a European Investment Bank, and coordinate development of overseas territories. The abolition of custom barriers will be gradual and completed in 12 years. At the same time all quotas and other trade barriers will be a thing of the past.

As a first practical step, the members of the ECM have reduced custom tariffs among them by 10%, effective Jan. 1, 1959, raising at the same time import quotas by 20%. That the ECM, a courageous and important step towards European economic integration and unity, involves opportunities for our American economy as well as challenges, is a well known fact.

On the credit side, it is obvious that for the American businessman, in particular the exporter, it will be much easier to treat with one big unit than with six different states, each with its own customers, import and export regulations, currency restrictions, etc. Compared with the U. S. and the Soviet Union, the economic strength and importance of the ECM may be illustrated as follows:

	USA	ECM	USSR
Population (in million)	175.5	165.8	200.2
Electricity in kwh (1957) in billion	715.7	222.0	209.5
World exports (1957) in billion $	20.8	22.6	4.4
Steel, est. 1958 prod. in million tons	86.0	65.6	60.0

Through the creation of a large economic unity, the ECM will further stimulate industrial production, raise the standard of living, today second only to the U. S., and so offer new potentialities for American capital and products in particular raw materials and foodstuffs.

Two Debit Factors

On the debit side, we found two factors; the custom policy and the increasing competition particularly in the field of manufactured goods.

In a nutshell, the custom problem may be illustrated as follows: Suppose you have an article which at the same price and quality is simultaneously produced in West Germany and America and exported to Italy where at the border it is taxed by let us say 30% *ad valorem*. Now, the Italian import duty on the German product will gradually be reduced until complete abolishment while the duty on the American product will remain unchanged. Negotiations between the ECM and America about a custom tariff have not yet started and will take probably five years. Although thanks to the passing of the Reciprocal Trade Agreements Act of 1958, the Administration has a good bargaining power, some discrimination against American exports will remain as the territory of the ECM will be protected by a custom wall against imports from outside countries.

But more important is the increasing competition between West European and American producers in the field of machinery, transport equipment and other manufactured goods which in our 1956 total exports to the ECM of $3,077 billion amounted to $873 million or 28.3%. Immediately after World War II, American industry had the advantage of offering many articles which the European industries, lacking capital, equipment and managerial experience could not produce. In overcoming lower wage competition, traditionally, American industry could meet this challenge because of the greater capital investment, its superior plant, equipment and particularly managerial methods. Today, we have lost this superiority. There is not a single article we can produce that the Europeans cannot while European industry has the advantage of lower wages, more familiarity with local taste, marketing and advertising conditions. Today, Europeans have the capital, tools and know-how largely supplied by us. Capital concentration and mass production characterize European industrial progress. Great industrial combines not only supply without difficulty the needs of internal consumption but can compete against our products in foreign markets.

European and other countries are showing a declining interest for American manufactured goods. The day when they were sold through cigar-smoking agents is over. European countries, however, are interested and welcome American participation in their industrialization process. Some countries such as Italy, for example, have passed special legislation to encourage American investments. And here lies the future.

Our automobile industry already understands the difficulty if not the impossibility of exporting American built cars to Europe where an American car which costs $3,600 here including Federal and State taxes, would cost $8,200 in France, $5,800 in Italy, $8,000 in England. In addition, the United Kingdom restricts at the present imports from the U. S. A. and Canada to 650 automobiles per year. France admits only 12,000 vehicles a year from all sources, and Italy permits the import of only a few hundred American built cars. To overcome these handicaps, American automobile industry has built gigantic plants in Germany, France and England and produces annually thousands of cars for European consumption. This farseeing policy must guide any American industry wishing to do business on a gigantic scale with Western Europe. We must change our traditional export policy at least in the field of manufactured goods by erecting branch plants or concluding licensing agreements with domestic firms.

Good Dividend Returns

That American investments in the ECM territory pay good dividends, is illustrated by the following statistic: (source, The European Economic Community, pamphlet compiled by the Banque de Bruxelles):

Direct Investments and Earnings of U. S. Companies In the ECM in 1956

	Total Direct Investment (Million $)	Earnings (Million $)	Rate of Return Percent
Belgium	150	19	12.7
France	426	51	12.0
Germany	424	53	12.5
Italy	204	22	10.8
Netherlands	182	19	10.4
Total ECM	1,386	164	11.8

The ECM which we Americans welcome as an important step toward European economic integration and unification is, however, not yet "over the top." During the last two months of 1958 a sharp controversy fared up which may be called ECM versus Free Trade Zone. The latter, sponsored by Britain, would include, in addition to the six members of the ECM, the other 11 members of the O.E.E.C. The Free Trade Zone project provides for gradual abolition of internal custom duties but reserves the right of every member to have its own tariff for imports from countries outside the zone. This project has been flatly rejected by France, seconded by West Germany. The French industrialists have reluctantly agreed to abolish custom and other trade barriers between the six ECM members but are definitely opposed to accord similar benefits to Britain, Scandinavia, Austria and Switzerland, fearing to be flooded with British goods without having the guarantee that the British would offer compensating advantages to offset the "sacrifices" made by the European continental nations.

Britain and the ECM

Behind the British attack against the ECM there are several reasons. First, Britain is not a fully European country. Half of their trading interests belong to the Commonwealth, 25% to the U. S. A. and only the remaining 25% to Europe. In addition, there is a traditional British mistrust of any experiment which could lead to a strong continental Europe. It sounds incredible but it is true that during recent negotiations between Britain and the members of the ECM, a British delegate declared flatly: "If we British would admit the formation of a strong continental European economy able to compete with our own economic systems, our victory at Waterloo would have lost its sense." The ECM members have tried to appease the British by extending the 10% custom cut and the 20% increase of import quotas to the remaining members of the O.E.E.C. and also to the members of GATT (General Agreement on Trade and Tariffs) which includes 37 countries among them, the U. S. A. The British, however, are not satisfied and have already threatened eventual trade reprisals.

It is still to be hoped that a compromise solution between the ECM and the Free Trade Zone project may be found. It would be a pity, however, if British intransigence would destroy that which the ECM is trying to achieve, namely, THE MAKING OF EUROPE.

McDonald Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John A. McDonald has been added to the staff of McDonald & Company, Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Now With W. E. Hutton

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — David H. Hoster is now affiliated with W. E. Hutton & Co., 50 East Broad Street. He was previously with The Ohio Company.

With Keller Brothers

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Gerald H. Goldberg is now with Keller Brothers Securities Co., Inc., Zero Court Street.

With Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter L. Wheat Jr. has become affiliated with Kidder, Peabody & Co., 75 Federal Street.

Form Commercial Secs.

NASHVILLE, Tenn.—Commercial Securities Inc. is engaging in a securities business from offices in the Sudekum Building. Officers are James A. Bulleit, President, F. C. Bulleit, Vice-President, and Samuel A. Love, Secretary and Treasurer.

Jack Freid Opens

HEWLETT, N. Y.—Jack Freid is conducting a securities business from offices at 1211 Station Plaza.

With Commonwealth Secs.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Ralph H. Smith is now with Commonwealth Securities Corporation, 30 East Town Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The capital market is making a better showing because there is a let-up in the amount of corporate bonds that are coming into the market for sale. Also, the Treasury is expected to confine its operations this year to near-term issues and, if this turns out to be true, the market action of the longer maturities of Governments should be favorable. Also, the yield spread between high grade corporate bonds and Government bonds has narrowed to a point which makes the Treasury issues more attractive for investment than are the corporate securities.

The near-term issues, which make up the money market, continue to be in demand in spite of the larger offering of Treasury bills. The investment of the attrition money from the last refunding offering created a sharp demand for short-term securities. In spite of this liquidity preference, it seems to be the opinion of most money market specialists that short-term rates will tend to move up with the passage of time.

Offerings of Tax-Exempt Bonds Continue Heavy

The money market is having a respite from operations by the Treasury, and with the corporate calender of new offerings on the light side, the entire capital market is also enjoying a minor rest period. However, the introduction of new securities to the capital market by the tax-exempt fraternity goes on at a very active pace and has offset in some measure the slack which has been created by the slowing down of corporate offerings.

As a matter of fact, the reception which has been given to the better names of tax exempt obligations which have been offered for the first time appears to indicate that the demand for the tax sheltered issues is definitely on the way up. It is evident that not a few investors—and that goes for individuals as well as institutions—have come to the conclusion that the most effective way to hedge against the current uncertainties, namely higher taxes and the fear of inflation, is by making commitments in good quality tax-exempt obligations as well as selected common stock. In this way a considerable degree of protection is obtained.

Increase in Discount and Prime Rates Possible

The money market, which is concerned primarily with short-term obligations, appears to be in the center of a bit of disagreement between the monetary experts with certain fractions of the opinion that present rates will not advance very much if at all. As against this, there are those money market specialists who predict that near-term rates will tend to move up in the not distant future, possibly before the Treasury announces the terms of its April operation. It is believed in some quarters that there will be an increase in not only the prime bank rate but also in the discount rate prior to the announcement by the Treasury as to how it will handle its coming financing.

It is being pointed out by some money market specialists that with business activity still on the rise, the demand for short-term funds will increase. Also, since inventories will have to be replenished and retail trade is improving the way is being paved for an increase in loans. In addition, the commercial banks are not to flush with funds, so it would not take very much in the way of an enlargement in the demand for borrowing to push the rates for these accommodations up.

The prime rate is considered by certain money market followers to be the first rate to be revised upward, while there are others who believe that the discount rate will be advanced prior to an increase in the borrowing rate for the best credit risks.

Treasury to Exert Presure on Short-Term Rates

Another force which will create a demand for short-term funds will be the Treasury, since it is expected that refundings and new money raising ventures in 1959, unless there is a change in money market conditions, will be taken care of by the sale of near-term obligations. To be sure, there is a desire to extend maturities of the Government debt, but it does not seem as though this can be done until there is some kind of appetite for the more distant obligations. For the present and the foreseeable future, the inflation psychology seems to have pretty well taken long-term Governments out of the refunding and new money plans of the Treasury.

At the same time, if the Government does not get too obsessed with the desire to extend maturities and does not crowd the bond market, there should be a better tone in these issues, since the corporate list should continue to be on the not too sizeable side for awhile.

J. Barth Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Peter P. Beaver has joined the staff of J. Barth & Co., 404 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Two With C. J. Devine

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — George F. Dowley and Patrick K. Walsh are now with C. J. Devine & Co., Russ Building. Mr. Dowley was formerly with J. Barth & Co.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Donald E. Ashmun has become affiliated with Merrill Lynch, Pierce, Fenner & Smith Incorporated, 216 Superior Avenue, Northeast.

With Cruttenden, Podesta

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Edgar T. Lindner has become associated with Cruttenden, Podesta & Co., Russ Building. Mr. Lindner was formerly with Walston & Co., Inc. and E. F. Hutton & Company.

Walter Gorey Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert L. Payne has been added to the staff of Walter C. Gorey Co., Russ Building.

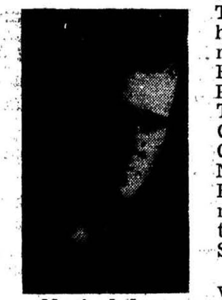
Now With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Karl L. Falconer has become connected with E. F. Hutton & Company, 160 Montgomery Street. He was formerly with Reynolds & Co.

First Cleve. Elects Long, Caldwell

CLEVELAND, Ohio—The election of Martin J. Long as Vice-President and Director and Thomas A. Caldwell as Assistant Secretary and Assistant Treasurer has been announced by E. A. Legros, President of The First Cleveland Corporation, National City East 6th Bldg., members of the Midwest Stock Exch.



Martin J. Long

Mr. Long, who heads his company's trading department for corporation securities, has been with The First Cleveland Corporation since 1935, except for the war period, when he saw action in the European Theatre. He was elected Assistant Vice-President in 1952. He has been active in the Cleveland Security Traders Association, where he has served as Secretary, Vice-President and Director.

Mr. Caldwell joined First Cleveland in January, 1958, having previously been Supervising Accountant at The Lubrizol Corporation.

"Investments" Subject Of 1-hr. TV Program

A one-hour educational TV spectacular will be presented by the Bernard M. Baruch School of Business and Public Administration of the College of the City of New York on Channel 11, Monday, March 16 from 3 to 4 p.m.

Dr. Jerome B. Cohen, Professor of Economics of the Baruch School, will be moderator, with Lewis D. Gilbert, author of "Dividends and Democracy," Morris Goldstein, Francis I. du Pont & Co., and Mrs. Wilma Soss, President of the Federation of Women Shareholders, as guests.

2 With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Fred W. Dornberger and Alan S. Hackett have become connected with Crowell, Weedon & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Dornberger was previously with First California Company.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Marine Midland Corporation

While Marine Midland Corporation was organized in 1929, components of it date back as far as 1839, that being the year when Niagara County National Bank & Trust Company, and Northern New York Trust Company were established. Another unit, important in the set-up, Marine Trust Company of Buffalo, dates from 1850.

The idea of the holding company came from the move by Marine Trust to set up offices in some of the busier districts of Buffalo. Success in the branch banking part of the business brought wider expansion. It was logical in the 1920's that, given the then current trend toward state-wide and nation-wide business, bank officials should be thinking along the same channels and look to the possibilities of like geographical expansion.

This broadening of the corporation's interests was at the time largely confined to upper New York State, and today the largest units in the organization are the Marine Trust Company of Western New York, centered in Buffalo, and the Marine Trust Company of New York City. At the end of 1958 there were 11 banks serving 90 communities through 166 offices. There were over 1,073,000 depositors, and 410 borrowers. Deposits (eliminating intergroup deposits) totaled $2,038,000,000, divided roughly into two-thirds demand and one-third time deposits.

At the time of the organization of the corporation, holding companies in the banking field were not recognized, pro or con; but the passage in 1933 of the Glass-Steagall Act gave bank holding companies official status. In New York State the law now divides the state into nine areas for the purpose of setting up branches, and Marine Midland is represented in all but one of them. In 1956 a law temporarily putting a freeze on the organization of new bank holding companies went on the books, and the legislature is now studying a possible revision of the banking law.

Marine Midland units do a general banking and trust business, and they have membership in the Federal Reserve System and the Federal Deposit Insurance Corporation. There are about 33,000 shareholders of the corporation's common stock, and 2,900 holders of its preferred.

Statement of Condition — December 31, 1958

— CONSOLIDATED —

ASSETS		LIABILITIES		
Cash & due from banks	$417,410,416	Deposits		$2,037,688,754
U. S. Gov't securities	528,671,627	Dividend payable		2,271,700
State & mun. securs.	142,696,652	Liab. on acceptances		13,725,861
Other bonds & securs.	34,400,555	Provision, taxes, int., etc.		37,207,263
Loans & discounts	840,188,360	Other liabilities		5,835,487
Mortgages	261,975,750	Notes payable		9,000,000
Bank premises & equip.	19,443,331	Minority int. in affil.		4,450,140
Cust'ms' liab. on accep.	12,473,256	Preferred stock	$7,406,800	
Accru. interest rec.	8,156,589	Common stock	*43,722,397	
Other assets, def. chgs.	4,828,545	Surplus	103,936,679	$160,065,876
	$2,270,245,081			$2,270,245,081

*Less treasury stock, $416,048.

A break-down of the above assets follows:

Cash	18.3%	Mortgages	11.5%
U. S. Gov't obligations	23.3	Bank premises & equipment	0.9
Other securities	7.8		
Loans	37.1	Other assets	1.1

Approximately 78% of the above total of United States Government bonds mature within five years (maturity dates) and 21% in from five to 10 years, with only about 1% beyond 10 years. In 1958 the average maturity was lengthened moderately to three years and six months from two years and eleven months.

Marine Midland for the greater part being outside the New York metropolitan area, derives a generally better average return on the group's loan accommodation. Excluding call loans, this average rate in 1958 was 5.86%, compared with 5.66% a year earlier.

Gross income came from these sources: Interest on loans, 65.8%; interest and dividends from securities, 18.4%; other, 15.8%. The last item includes trust fees and commissions.

Marine Midland's preferred stock isues, dating from early 1955, was used in part to invest in additional capital stock of owned units, in part to pay off $4,000,000 in bank loans, and for other purposes. Of the 500,000 shares originally issued, 148,136 were outstanding at the end of 1958. It is a $50 par stock, dividend $4 annually, cumulative.

Ten-Year Statistical Record — Per Share

	Book Value	Operating Earnings	Common Dividend	Net Addition to Surplus	Price Range High	Price Range Low
1949	$14.63	$0.99	$0.50	$0.84	8⅞	6½
1950	15.21	1.05	0.50	1.07	9⅞	8⅛
1951	15.40	1.03	0.52½	1.18	11¾	9
1952	15.82	1.06	0.60	1.00	13	10½
1953	16.34	1.28	0.60	1.34	13⅛	11½
1954	15.83	1.26	0.72½	1.42	17¼	12½
1955	15.86	1.37	0.80	1.65	20¼	16
1956	16.17	1.62	0.87½	1.40	20⅛	16⅞
1957	16.80	1.74	0.92½	1.65	20⅛	17⅝
1958	17.36	1.75	1.00	1.00	24¾	18½

NOTE—Preferred stock excluded from capital funds.

At the end of 1958 bad debt and other valuation reserves totaled $48,893,000, an increase from $42,219,000 in 1957, were reported, approximately $41,000,000 being set up under the Treasury formula covering bad debt set-asides.

Dividends have been paid in each year since 1929, the rates being moderate. However, additions to surplus have consistently exceeded the dividend pay-out.

The shares are selling at present on the New York Stock Exchange at about 25, giving a yield of 4%. The pay-out is about 57% of 1958 operating earnings. In 1958 the rate of earnings on book value (excluding reserves) was about 10%; and the stock is now selling at about 14.3 times 1958 operating earnings.

In company with most banks, Marine Midland reported substantial securities profits for 1958, theirs being approximately $6,000,000

The stock affords the investor an opportunity to participate in a large number of banks, indirectly, as the geographical diversification covers so much of New York State. Operations are conducted in eight of the state's nine banking districts.

Continued from page 5

How Can Inflation Be Stopped?

stantial gains for their members and management is under equally strong compulsion to try to avoid strikes and to maintain profits. Businessmen and labor leaders are therefore simply doing what comes naturally and both groups insist that they must continue to do so.

As a result, most proposals for doing anything about the wage-price spiral are regarded either by labor or by business as threats to its rights. Each group deplores inflation but opposes any suggestion that might restrict its own freedom of action.

This opposition is so powerful that it is difficult even to obtain public consideration of most proposals for curbing the spiral. To be sure, some unionists urge severe restrictions on business and some businessmen urge severe restrictions on unions. However, at least at the present time, the American public is going to buy an approach to this problem that is either strongly anti-labor or strongly anti-business.

It would obviously be in the best interests of all concerned—labor and business as well as the general public — to bring the wage-price spiral to a halt. As yet, however, little progress has been made toward this objective.

A Long War Ahead

It is apparent that this problem of inflation is one of the most difficult with which we have ever been confronted. The forces making for inflation are powerfully entrenched, whereas the public is unorganized, inadequately informed, and generally apathetic. What should be our general approach to this problem?

First, it is clearly not going to be solved by any simple prescription—such as returning to gold convertibility or breaking up Big business or Big Labor or Big Government. The causes of inflation in the United States today are too widespread and too deeply rooted in our habits of thought and action and in our economic, political and even our social institutions.

Nor would it be realistic to urge the adoption of a drastic austerity program, such as those adopted in recent times in some other countries. Conditions in this country are not critical enough to make such a program feasible.

On the other hand, we cannot take the chance that conditions ever will become that critical in these United States. A crisis in England or in France is serious enough, but a crisis in the United States could be fatal to the entire Free World. This is a risk we simply cannot afford to take.

So, with panaceas and crash programs ruled out, we are confronted with the necessity of fighting a long continuing war against a very powerful adversary. It is a war that must be waged simultaneously on many different fronts. It is high time we gave more thought to what our war plans should be and to the strategy and tactics we should employ.

Four Areas Requiring Attention

There are four main areas that require attention if inflation is to be stopped; namely:

(1) There is need for intensive study of the inflation problem—of its causes and possible cures.

(2) There is need to build a better understanding of the problem among all groups in the community.

(3) There is need to work incessantly to promote actions and policies, public and private, that will eventually bring inflation under control.

(4) To achieve the foregoing, there is need for cooperation and leadership.

In short, we must investigate, educate and agitate. And to do these things effectively, some degree of coordination will be required.

Let us consider what we should be doing in each of these four areas.

The Need for Study

There are still some important aspects of our inflation problem—especially the wage-price spiral—on which more information and more insights are needed. As Senator Lyndon Johnson recently put it: "We need light in dark corners, and we need it soon."

It is really amazing, when you stop to think of it, that we Americans who take such pride in our vast expenditures for technological research, spend next to nothing for studying this problem of inflation that so vitally affects our welfare. We spend more for chewing gun and comic books. Even our basic statistics on such things as productivity and labor costs are woefully inadequate.

Particularly urgent is the need for systematic, open-minded study of possible ways of combating inflation. We are confronted today with a relatively new kind of inflation and we must devise new methods to cope with it. For example, there are various things the Federal Government might do to discourage inflationary wage and price policies without putting either labor or management in a strait jacket. These possibilities should be carefully explored forthwith.

There is also need to clarify what is already known about inflation. We suffer from our propensity for disputation. Too many of us prefer to propound our own pet theories or to demolish someone else's, than to seek out areas of common agreement.

Wide areas of substantial agreement actually do exist among informed observers with respect to many aspects of the inflation problem, but these areas have been obscured by controversy and have not been clearly defined. As a result, people have the impression that little is really known about the subject. Many teachers in schools and colleges, not knowing what to teach about it, teach nothing at all. There is need, therefore, to build a common fund of knowledge on this problem and to add to it systematically as rapidly as we can.

Little research has as yet been done on how people can be helped to develop intelligent attitudes on economic issues. What are the key facts and concepts they need most? There has been much talk about education for citizenship but not much study as to just how this can actually be accomplished in the vital realm of economic education.

These, then, are some of the things that require study in the battle against inflation.

The Need for Education

In this democracy of ours, we cannot expect to achieve sound public policies unless they have widespread understanding and support. There is urgent need, therefore, to build a better understanding of the inflation problem among all segments of the population.

This should be a matter of concern to teachers and educators everywhere. Your average high school or college graduate today has only the haziest notions about the causes and the hazards of inflation. There is need for a searching reexamination of the teaching of economics and of its place in the curricula of all types of educational institutions — including, incidentally, teachers colleges.

But we obviously cannot wait for these institutions to do this job. Most of today's voters have finished their formal schooling. Adults constitute the major educational problem.

This presents an enormous challenge. Competition for the attention of the public has never been more intense than it is today. Most people couldn't care less about the budgetary procedures of Congress. Talk about "fiscal responsibility" might as well be in Sanskrit. How can a discussion of the budget compete with Sergeant Bilko?

And yet the situation is not too discouraging. Time and again the American people have demonstrated that when they do have a recent understanding of a public problem, complicated though it may be, they can usually be counted on to arrive at sensible decisions. This, basically, is the reason why inflation is not inevitable in these United States.

What Do People Need to Know?

What kinds of information do the American people need to know to enable them to avoid further debasement of their currency?

This is a question with many ramifications and one on which it would probably be impossible to reach complete accord. Nevertheless, there are some major points on which there would be widespread agreement.

To begin with, some people could use a bit of orientation on some of the elementary economic facts of life. Too many assume, for example, that expensive things can somehow be had for free, that we can eat all our cake and give it away at the same time, and that more money means more prosperity. It would be news to some people to learn that all worldly goods have worldly costs, that even in America, it is impossible to do everything at once, and that public spending is not synonymous with economic growth.

Secondly, the public certainly needs a better understanding of the perils involved in adopting inflation as a way of life. These dangers are not readily visible and most poeple do not even know what they are. Many have a vague feeling that rising prices are not seriously harmful and may even be beneficial.

Thirdly, since two of the chief sources of inflation are the financial operations of the Federal Government and the wage-price spiral, these are clearly two subjects on which the public should be better informed. People need to know more facts about the Federal budget, facts about the farm price support program, facts about profit margins and relationships between wages and prices.

Finally, there is one other vital subject on which more understanding is needed, namely, Federal Reserve policy. There can be little argument about the basic proposition that during boom periods, it is essential to avoid excessive creation of credit. Regardless of its shortcomings, flexible monetary policy—entailing flexible interest rates — is an indispensable bulwark against inflation. Yet this fundamental fact and its implications are not adequately understood by many people, as evidenced by the repeated attacks against the Federal Reserve System in recent years for its so-called "tight money" policy.

These, then, are some of the things on which education is needed in our battle against inflation.

The Need for Action

But study and education are not enough; they must be translated into effective action.

In the political arena, there is need to mobilize public opinion actively to oppose inflationary legislation and to support remedial measures. It is even more important to nominate and elect the right men and women to public office in the first place.

In the area of private policies, probably the greatest need is to bring the weight of public opinion to bear on the formulation of industrial wage and price policies. Public indignation could be an effective check on inflationary wage settlements and pricing practices.

Avoidance of inflation should be a major consideration in the decisions arrived at by businessmen and labor leaders not only at the bargaining table but elsewhere as well. Businessmen should have the enterprise and vision to price for volume sales with low unit profits. Also, there is much that they could do to mitigate inflationary booms by following more stable policies with respect to inventories and plant expansion.

In addition, management and labor alike should redouble their efforts to step up industrial productivity by methods that do not add to inflationary pressures. Certain of our industries are notorious for featherbedding and other costly labor practices — the railroad and construction industries, for example. The times call for new assaults on these problems.

Similarly, there is need for renewed efforts to strengthen competition and to eliminate monopolistic practices on the part of both business and labor. This approach is not the panacea that some people seem to think but it could nevertheless yield worthwhile results.

A high rate of personal savings would also help to curb inflation. Should individuals be urged to save for this reason? Your answer may well differ from mine, but I am personally bothered by the ethics involved in making this kind of appeal under existing circumstances. Certainly the best way to encourage thrift is by working to protect the future value of savings dollars, thereby strengthening real incentives to save.

The Matter of Motivation

How can people be aroused to do these things that need to be done to restore the integrity of the dollar?

In this matter of motivation, we are at considerable disadvantage. Those who work for things that in the aggregate add up to inflation, are strongly motivated by immediate self-interest. Few, unfortunately, feel much incentive to oppose these pressures.

Indeed, most people are quite apathetic about the whole problem. The future perils of inflation seem remote and unreal. Many tend to equate rising prices with prosperity. Few have as yet been seriously injured by inflation and most of those who are being hurt feel powerless to do anything about it.

One approach would be to try to frighten people out of their complacency by parading the spectre of runaway inflation. This approach should be definitely ruled out on three counts. First, the possibility of wild inflation is remote. Second, such an approach would probably be ineffective. Third, if it were effective, it would be dangerous. We cannot take the risk of nurturing a fear psychology among the American public.

On the other hand, we can and should explain to people the serious implications of the inflationary trend in our economy and appeal to their good sense to bring inflation to a halt. We can also appeal to their sense of fairness and to their sense of public responsibility. These appeals are less dramatic than an appeal to fear but they are valid and sustainable and in the long run should be effective.

In addition, we can appeal to people's pocketbooks. All groups in the community are hurt by inflation and if this fact can be brought home to them, widespread support for sound money can be aroused.

Many Must Contribute

Now, just who is going to do all these things? The answer is that many individuals and groups must contribute in many different ways. Teachers and educators, as already indicated, have their part to play, and so have economists. So have farm leaders, union officials, businessmen, editors and legislators. And so have so-called average citizens—breadwinners, homemakers, retired people.

For the most part, action can best be obtained through existing organizations: Civic associations, business concerns, professional and trade associations, labor unions, and political organizations.

For instance, take our own banking industry. Despite the far-flung banker educational programs, we are not actually doing very much today to educate our own officers and employees regarding the problem of inflation. We could and should do much more.

This applies to all industries. A few corporations and trade associations have made some efforts along this line, but only a few.

Most employer and employee organizations have traditionally concentrated their attention upon matters of immediate concern to their members. The time has come for them to embrace broader goals. The inflation problem is one that vitally affects the members of all these groups and needs their attention. This means that they should now take an active interest in matters outside their own immediate bailiwicks that have an important bearing on price stability.

The leaders of these groups have unique responsibilities with respect to inflation because of the strategic roles they play. Admittedly, these men are not likely to be influenced very much by occasional exhortations and appeals to "statesmanship." Nevertheless, with the help of public opinion, we can hope to develop a stronger sense of social responsibility among our industrial and labor leaders. If the American people become sufficiently aroused about inflation, these leaders may be inspired to try harder to help work out some solutions.

Political leaders have equally great responsibilities. The actions they take are important not only for their direct impact upon the economy but also for their psychological effects upon businessmen, labor leaders and the general public.

In short, the defense of the dollar should be everybody's business. In the long war that lies ahead, help will be needed from everyone who can be recruited to the cause.

We Have Begun to Fight

Some people, though not many, have been fighting the good fight against inflation for a long time. One could point to a number of men in both private and public life, members of various economic groups and of both political parties, who have for years been helping to stem the inflationary tide.

Regardless of one's politics, I think most would agree that the Eisenhower Administration deserves a good deal of credit on this particular score. Also, special citation has been earned by the Federal Reserve authorities.

Within the past few years, more and more people have started to do things about this inflation problem. Merit badges should be awarded to a number of foundations for their research grants, to the Committee for Economic Development and the U. S. Chamber of Commerce for their research and educational activities, to the Brookings Institution for its research program, to the Life Insurance Institute for its advertising program, and to economists like Harold Moulton, G. L. Bach and Arthur Burns for their analytical contributions.

There have also been, of course, various Congressional hearings that have dealt with some aspects of inflation, and more are in prospect. These operations are sometimes useful but they can hardly be expected to produce maximum objectivity in dealing with a subject so fraught with political implications.

Only a few days ago Senator Douglas announced the plans of the Joint Economic Committee for a broad study of the inflation problem. This study is more promising than most and may be able to achieve some worthwhile results. Even more might be accomplished by setting up a study commission further removed from political pressures—perhaps along the lines of the Hoover Commission, or the Royal Commissions they have in Canada, or the Council on Prices, Productivity and Incomes in Great Britain.

Several steps recently announced by President Eisenhower may prove to be fruitful. One has been the establishment of the Saulnier committee whose assignment is to study the operations of the Federal Government with a view to reducing their inflationary impact. Here is an example that should be emulated by industrial and labor organizations with respect to their own policies and practices.

Another move has been the formation of a cabinet group headed by Vice-President Nixon to study the inflation problem and to build a better public understanding of it. If its approach is not too partisan, this group should be able to make significant contributions in both of these directions.

Much More Is Needed

All these developments are encouraging. They manifest a growing awareness of the need to come to grips with the inflation problem. Clearly, however, they do not as yet add up to a major counteroffensive. They are no more than the beginnings of what should become a massive movement to achieve stable economic growth.

Our society contains vast resources of energy and ability that could be rallied to this cause. The great need now is to activate these resources, to stimulate individuals and groups throughout the country to join the fight against inflation. Enlistments are needed not just for the 1959 campaign but for the duration.

Despite its political complexion, Vice-President Nixon's committee might be able to perform a major public service if it were to undertake this assignment. Even more could be accomplished if President Eisenhower were to give his full support to such a program.

The Problem of Coordination

How can sufficient coordination of these various efforts be achieved to make them effective?

It goes without saying that close centralized control should not even be attempted. In the U.S.A., that approach would not get very far. Nevertheless, unless some degree of coordination can be worked out, the diverse activities of many different groups, no matter how well intentioned, may result in confusion and ineffectualness.

Take government spending. We cannot realistically expect to eliminate every item of wasteful public expenditure. We can, however, make real progress here if we select strategic targets and mount coordinated attacks against them. The agricultural price support program is a case in point. This vast ope-end spending commitment has become a national scandal. If all groups were to concentrate their efforts on solving this problem, an important victory against inflation could be won.

As a minimum, therefore, there should at least be informal liaison among those trying to combat inflation. It is possible, though not apparent, that some one group may be able to provide others with effective leadership. The Nixon committee may manage to do something in this direction but it is obviously limited in this respect by its political plumage.

Sooner or later, therefore, it may be desirable to establish some kind of new organization to provide some guidance and coordination for the efforts of those willing to help. Such an organization should have representation from all major economic groups. Its function should be not to dictate but to facilitate cooperation.

A Task We Cannot Refuse

Stopping inflation clearly adds up to an exceedingly complex and difficult task. Nevertheless, it is a task we can and must perform if we are to safeguard the future strength and growth of the American economy. It is a task we cannot refuse to undertake.

Some people, of course, will fail to do their share. This means that if the job is to get done, some of us who appreciate the importance of the problem must do more than our share—and that includes all bankers.

One final point: The time to begin is now.

Clement Evans, Director

BATON ROUGE, La.—The election of Clement A. Evans, Atlanta investment banker, to the board of directors of General Gas Corporation has been announced by Hal S. Phillips, President.

Clement A. Evans

Mr. Evans, President of Clement A. Evans & Co., Inc. of Atlanta since 1932, serves on the Board of Governors of the Investment Bankers Association of America.

Leonard Langeneckert With Goldman, Sachs

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Leonard Langeneckert has become associated with Goldman, Sachs & Co., 314 North Broadway. Mr. Langeneckert was formerly Vice-President and Treasurer of Ely & Walker, Inc., with which he had been associated for over 40 years.

Now Corporation

PORTLAND, Oreg. — June S. Jones Co., a corporation, has been formed with offices in the U. S. Bank Building, as successor to the investment business of June S. Jones & Co. Officers are June S. Jones, Sr., President; J. Sheldon Jones Jr., and Edward T. Parry, Vice-Presidents; and Harriet M. McDaniel, Secretary-Treasurer.

With Capital Securities

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Donald A. Smith is now affiliated with Capital Securities Company, 209 South La Salle Street.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Arnold R. Glickson has become connected with Reynolds & Co., 39 South La Salle Street.

With Carter Harrison

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James L. Mills is now associated with Carter H. Harrison & Co., 209 South La Salle Street, members of the Midwest Stock Exchange.

Shillinglaw, Bolger Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Eleuterio E. Di Salvo has been added to the staff of Shillinglaw, Bolger & Co., 120 South La Salle Street, members of the Midwest Stock Exchange.

Joins Negley, Jens

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill.—George F. Meyer has joined the staff of Negley, Jens & Rowe, Jefferson Building, members of the Midwest Stock Exchange.

Joins Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Herbert J. Myers has become affiliated with Harris, Upham & Co., 136 Federal Street. He was previously with Investors Planning Corporation of New England.

Estabrook Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward J. Russo has been added to the staff of Estabrook & Co., 15 State St.

Continued from first page

As We See It

achievements are profoundly impressive; the vast Russian land is beginning to yield up its wealth; and most Soviet citizens are proud and loyal, like most citizens everywhere. Nor could I detect that our negative policy toward the Soviet Union was likely to induce the Soviet collapse which has been periodically foretold from official Washington in recent years, or even contain the expansion of Soviet influence."

Although finding definite weaknesses in the Soviet system, the twice defeated candidate for the Presidency evidently does not feel quite sure that we shall not be defeated in the contest that the Kremlin is forcing upon us. "Dominated by the pragmatic communism of Nikita Khrushchev's school of thought," he says, "the Soviet Union is seeking to insure its military power and security —and it is doing it. It is seeking to develop its limitless resources—and it is doing it. It is seeking to spread its influence far and wide in a world where chaos and misery abound, where new nations are beset with economic difficulties, and where Western democracy is in many places, alas, now on the retreat. And it is doing that, too!" After reviewing the situation at some length he comes up with the observation that "this time we might get licked."

There may or may not be solid ground for the uneasiness of Mr. Stevenson and the similar fears of a number of others that have been investigating the situation. The trouble with his analysis, and with that of many others who fear the new-style imperialism of Russia, is that they seem too much inclined to believe that we should do a good many things which would in the end greatly increase the danger they perceive, rather than to remove or alleviate it. He finds that the primary weapon of the Kremlin is "economic power," and bemoans the fact— for fact he evidently finds it—that the Western Alliance has not "concerted its enormous economic power in a coherent counter-offensive."

Mr. Stevenson is not alone in insisting that we must somehow "arrest the fatal economic deterioration" in many parts of the world and "provide an alternative to communism as a technique of change and growth in the poor, underdeveloped lands." This he is sure, as so many others are sure, we are not doing. These observations must seem strange and unrealistic to all those familiar with the state of affairs in Poland, Czechoslovakia, East Germany, and the other eastern European satellites, and with the conditions which exist in neighboring West Germany. Of course, the Kremlin is master of intrigue, and is skilled in making the worse appear the better reason, and its ability to make trouble everywhere is not to be under-rated, but major assistance to all the backward countries and their teeming hundreds of millions throughout the world—at the same time that they are improving their own position in the world—would be a feat that would cause the progress already made in Russia to pale into insignificance.

But Mr. Stevenson goes much further than to warn of such dangers as these. He raises fundamental questions about the ultimate capacity of free enterprise to match the achievements, actual and projected, of communism. These questions, we must say, fall strangely from the lips of a leading citizen of a country that has, with its free enterprise system, grown to be the envy of the world. He asks:

"Can our American system prevail in competition with the central planning, control and direction of the Soviet system?

"Can we mobilize, organize and utilize our human and natural resources as effectively as they can?

"Can we do so without imposing controls that imperil the very freedom and values we in the United States are trying to preserve?

* * *

"In a shooting war our system seems to perform more effectively than a dictatorship—or, at least, so the evidence of World Wars I and II suggests. Then everything was subordinated to the demands of victory, and the government was able to make drastic and uncomfortable decisions promptly and without fear of serious public protest. But in our present situation, the government can rarely act promptly and decisively; often it cannot act at all, because domestic political considerations are not subordinated to the needs of an effective foreign policy."

Mr. Stevenson is, as usual, more candid than most men in public life for taking active part in the affairs of their political party. He comes forward directly and forthrightly with what a great many others evidently have in their minds. In doing so he seems, as do the others, to betray grave misgivings about the free enterprise system, and a tendency to suppose that in "modern" times government must be the mainspring of much that has been done in past time so magnificently by the private citizen. If it is economic progress and prowess that is required, the very best mode of procedure is to move away from the kind of system that exists in Russia, not toward it.

Continued from page 3

Displacement of Fixed-Wing Planes For Short Distance Transportation

N. J., about 2,400,000 pounds and by 1970 some 5,100,000 pounds. This, of course, will consist of small packages with high unit value.

Future Cost Reductions

Mr. G. H. Aldrich, aviation consultant, in a report to the Aircraft Industries Association, 1957, said, "while rotary-wing costs of operation are substantially greater than for fixed-wing flight, it is a fallacy to conclude that future reductions will reflect but minor downward trends". In October of last year, a report to the Council from another source bore out Mr. Aldrich's caution. In this well documented paper by Counsel for the organization it is stated that the impending use of the turbine engine in the helicopter will reduce the cost of transporting passengers by as much as one-half. Obviously it is not too much to expect an important reduction in the cost of cargo transport.

At present, more than 520 helicopters are in use on this continent by 120 commercial operators. The helicopter operates in "47 states including Alaska and the District of Columbia" and in 52 foreign countries. Its total business is calculated annually in the millions of dollars. A current report by the Air Transport Association reveals that in the face of the 1958 recession, helicopter express rose 17.4% to 40,000 ton-miles although air freight dropped 36.4% to 9,000 ton-miles. The latter decline more than likely will be reversed as the manufacturing industries pick up again, as evidenced by the fact that in 1957 a gain of 100% was registered over 1956.

Chicago Airways Helicopter, Inc. reports a notable decline in cost of operating its passenger service. It has fallen from $2.20 per seat mile at its inception in 1956 to 32 cents today. The company acknowledges that without the U. S. airmail contract and government subsidy to aid them in their developmental stage they could not survive. But this situation does not differ from some other pioneer efforts, as for example our railroads, which required government aid in their first stages. The helicopter has made remarkable progress in the past 20 years, much more rapid according to authorities than had the fixed-wing plane over a period of nearly 40 years prior to this date. It is expected that the recently announced gas-turbine-powered developments, such as Sikorsky's twin-engined helicopter planned for 1960 or 1961 which will carry 20 to 25 passengers or comparable freight cargo, Bell Helicopter Corporation — a subsidiary of Bell Aircraft Corporation—will produce a nine to 10 place helicopter for commercial use and Republic Aviation Corporation's already marketed machine, may reduce costs to as little as nine cents, or less, for direct passenger mile operation. Indirect costs should also be lowered.

The Rotodyne Airplane

While these facts relative to passenger transportation costs reveal excellent prospects for the future of this phase of air transport, experience with helicopter air freight carriage has been more limited. If we look across the seas we find The Fairey Aviation Co. Ltd. of England meeting with good results in its Rotodyne, 4[illegible] passenger or 4½ ton cargo carrier plane. This device rises vertically, as a helicopter does, and then switches over to a fixed-wing twin-engine operation. It has a range of 400 miles and makes claim to being the most important transport "aeroplane" in the world. At any rate it indicates successful freight and passenger operation.

With these and other experiences before us, there can hardly be any doubt that it is a matter only of time,—and not a long time, when the helicopter or "Vertol" type like the Rotodyne, will be functioning profitably as a significant part of our transport system. One helicopter-company reports splendid profits in the operation of a small cargo craft in remote areas in competition with other forms of transportation. It is expected that continued advances in the helicopter or related class of aircraft combined with increased commercial demand will result in operating costs falling to levels below those of the fixed-wing plane over distances up to 250 or 300 miles.

Shifts in Business and Population

If all the various forecasts of the increasing use of the helicopter come to pass, and there seems little doubt they will in this era of inventive genius, the effects upon the economy of New York City and the centers roundabout may well be beyond present imagination. New York merchants may profit at the expense of the business men in the smaller cities. On the other hand, the population of New York City may decline because people will find it possible to live 25, 50, or even 100 miles away without having to spend any more time getting to work or to engage in other business, than the local residents do now. These shifts in population and in business itself might change the tax structure and mean a higher cost of living in certain centers or a lower cost in others. The entire intercity economic relationship is likely to change.

What applies to the New York City area applies equally well to cities throughout the nation. Incidentally, in addition to the scheduled line at New York, certificated lines are also in operation at Chicago and Los Angeles. The flexibility of helicopter operation and the fact it requires so little space in which to take off and land, makes possible the rise of new settlements and a continuing reduction of agricultural lands. Our agriculture is already being affected by the fixed-wing airplane which is bringing produce from ever greater distances. Modern farm equipment, advances in agricultural science and not least the expansion of city areas and construction of highways have steadily reduced farm land. In Ohio, alone, there has been a decline from 519 acres of farm land per capita in 1900 to only 2.2 acres in 1955 and an estimated 1.4 acres in 1975. The helicopter which may make "country living more convenient may complete the agricultural decline in many intercity areas.

In a word, the helicopter will displace the fixed-wing aircraft for short distance transportation, ultimately serving all of the area of the 500 mile circle. In the meantime the jet plane will extend the outer limits for the transportation of freight or passenger "to the ends of the earth" and do it in terms of a few hours rather than days. With speeds ranging from 300 to 600 miles per hour, distance in miles becomes virtually of no importance. Incidentally, the size of pay load which freight planes can carry is growing at an amazing pace and even now the tonnage which a plane can carry far exceeds the amount which the average person envisages. According to J. B. Edwards, in the Journal of the Air Transport Division of the American Society of Civil Engineers, December 1957, the new jet DC-8 may be loaded to a maximum weight of 21,000 pounds with local densities as high as 20 pounds per cu. ft. And this figure by no means is the ultimate.

Lower Cost of Handling

There are persons who believe the costs of air transport will continue to be higher than those via other media. Quoting Edwards again, he points out that in the last 20 years, "passenger fares have been reduced from 6 cents to less than 3 cents per mile at equal dollar value." Reductions in freight charges have also been important. But even if the absolute charge for a piece of freight is higher by air than by rail, motor truck, or water, the correct basis for making comparisons must be formulated in terms of the overall costs of particular transactions. Less packing, if any packing at all required, lesser inventories because of quicker deliveries, and in many instances the complete elimination of warehouses as distribution points to distant centers, all together may result in a lower cost of handling by air-freight than by other media.

In an investigation made at Harvard University, interesting data are presented which support the theory offered here.[1] In addition, this study points out the willingness of businessmen to "pay a premium rate for transportation where for example" speed and reliability are viewed as "extra benefits" in a transaction. They also point to savings in "carrying inventory" and in warehousing under certain conditions. Although the authors of the publication quoted, warn against accepting their conclusions as final, owing to the limited data available, nevertheless, they feel a few generalizations even if only temporary, are in order. Among these, for example, are the following statements "One opportunity lies in expanding into now markets through use of air freight without commiting a company to the investment in bricks and mortar required for warehousing." . . . "There is great need for a re-thinking of the place of transportation in business. The one factor of air transportation that makes this most obvious is its speed." . . . "any growth in the use of air freight will have more far reaching effects on business practices generally than upon the few companies engaged in furnishing air-freight service."

A case study of a specific business, a producer of electron tubes located in Pennsylvania, was made to determine possible effects of an intensive use of air service upon the distribution of their products. After an elaborate pres-

1 The Role of Air Freight in Physical Distribution, Division of Research, Graduate School of Business Administration, Harvard University, 1956.

entation of data the author concludes "If Electro-Lab Company changed to the use of air freight as the regular means of transportation in the replenishment of inventory at the Chicago and Los Angeles warehouses and reduced inventory levels, it is estimated that would amount to $78,983 per year. This would be equal to approximately an additional 0.3 cent per tube profit for receiving tubes for the replacement market distributed through these warehouses. In addition, potential savings in warehouse expense of $108,888 per year might be possible."

To be sure, all industries are not likely to be equally affected. Yet there is little reason to doubt that most of them will be affected eventually. Industries which involve the handling of bulky goods such as mineral ores, liquids, grains and the like may not be able to take advantage of air freight for some time. It would be short-sighted, however, to stamp this means of transport for those commodities as purely visionary.

If what has been stated thus far be reasonably accurate, than the location of industries in the near future will no longer be a matter of the attractiveness of what is within the 500-mile-circle. It will not be a matter of nearness to raw materials or to markets, or even to labor or capital. Practically none of the elements which have been critical up to the present day will be of concern. Those planning to engage in industrial production or those already manufacturing but giving consideration to expansion will be asking but one question: "Where can we get the best air freight service?"

Decreased Importance of Industry Location

As air freight efficiency develops, the location of an industry will be far less consequential than today. For then, no matter where located, if a producer has air freight service to all parts of the nation and overseas, as well, he is likely to be only three to six hours away from sources of supply and principal domestic markets. In these circumstances no one will enjoy a significant locational advantage over anyone else. To all intents and purposes most industries will be equally advantageously located.

Not unimportant, too, will be the repercussions of both the plane and helicopter upon suburban expansion, residential invasion of the distant countryside and possible shifting of retail and wholesale centers of trade. If cities no longer will be able to argue the advantages of their respective locations, the magnet to attract industries and population will have disappeared and many of their current plans for their future physical and economic development will have been for naught. These are potentialities to ponder carefully.

The investor of course, is interested in the stability and likely growth of businesses whose stocks or bonds he intends to purchase, or already holds. If he is wise, he will want to keep an eye on the behavior of management with respect to the consideration given to the competitive status of the business as it may be affected by a rapidly advancing air freight service. If management is not concerned, and not endeavoring to anticipate desirable adjustments in the light of the facts presented here, then investing in such an organization should be on a strictly short run basis. Purchases made for the long pull need to be under constant review, particularly with reference to the imminent influence of air-freight service.

With Yates, Heitner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Charles H. Reasor is now affiliated with Yates, Heitner & Woods, Paul Brown Building, members of the New York and Midwest Stock Exchanges.

Joins E. E. Henkle

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Duane D. Worley has become connected with E. E. Henkle Investment Company, Federal Securities Building.

NASD District No. 11 Elects Officers

PITTSBURGH, Pa. — Frederick P. Mullins, partner, A. E. Masten & Co., Pittsburgh, and Robert E. Daffron, Jr., partner, Harrison & Co., Philadelphia, have been elected Co-Chairmen of District Committee No. 11 of the National Association of Securities Dealers which is the largest organization of securities brokers and dealers in the country.

Frederick P. Mullins

The two men succeed Eugene H. Lear, partner, Reed, Lear & Company, Pittsburgh, and William H. P. Townsend, partner, E. W. Clark & Co., Philadelphia.

Edward R. Gilleran, with the NASD office in Philadelphia, is Secretary of District Committee No. 11.

The Association reclassified its districts. Until the change, the district comprised the States of Delaware, Pennsylvania, and a part of New Jersey, and was known as District No. 12. It now consists of Delaware, Pennsylvania, West Virginia and a part of New Jersey as District No. 11.

Joins Westheimer

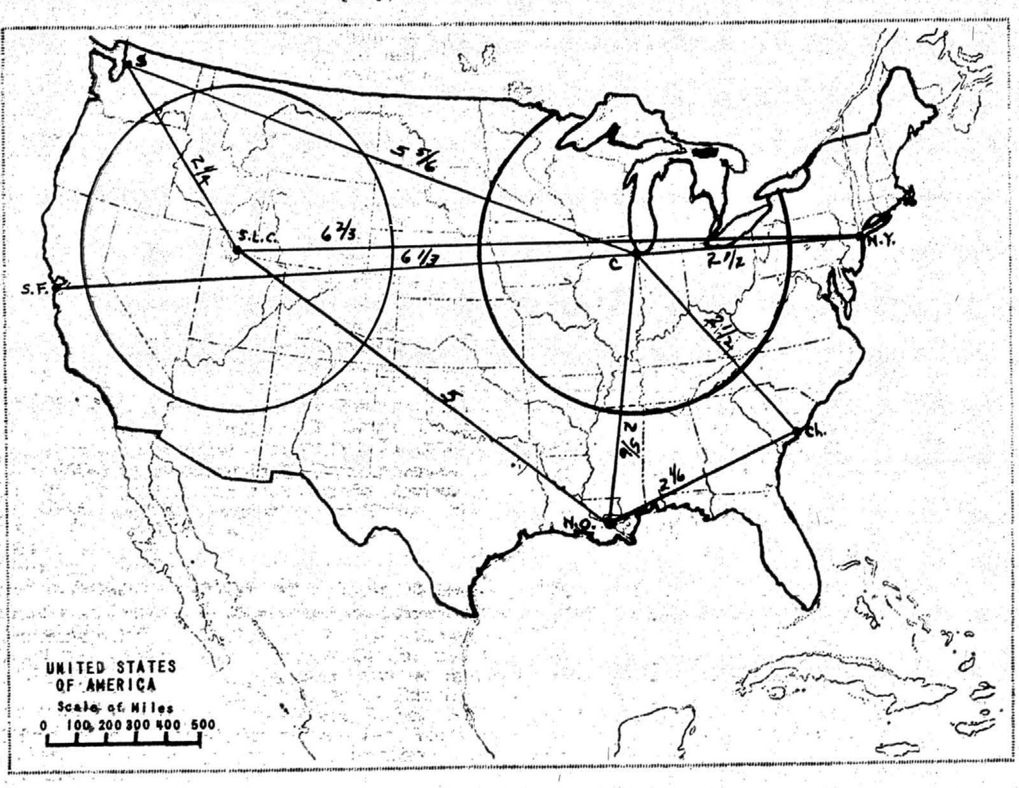
(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Annette Mandelsohn has joined the staff of Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

With Ball, Burge

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Steven M. Kostrub is now connected with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges.



Air Freight Distances in Terms of Time, Compared With the 500 Mile Circle

Assuming a speed of only 300 miles per hour for air freight planes, the tremendous advantage of this mode of transportation over other forms becomes apparent. The 500 mile circle with its 12 hour "overnight ride" obviously may be viewed as obsolete as compared with the great distances covered by planes in the same time. As a matter of fact, rail freight does not ordinarily move 500 miles in 12 hours.

In this diagram it is easy to see that the differential in air time gives no city an outstanding advantage over any other so far as location is concerned.

Business Man's Bookshelf

American Society of Tool Engineers Collected Papers for 1958, Book II—American Society of Tool Engineers, 10700 Puritan, Detroit 36, Mich., $10.00.

Atomic Industry 1958 — Atomic Industrial Forum, 3 East 54th Street, New York 22, N. Y. (paper), $1.25.

Automation and Employment Opportunities for Office Workers — BLS Bulletin No. 1241 — Bureau of Labor Statistics, U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y., 15c.

Bituminous Coal Research—Winter 1958—quarterly publication — Bituminous Coal Research, Inc., 121 Meyran Avenue at Forbes, Pittsburgh 13, Pa.

Business Investment Analysis — George Terborgh — Machinery and Allied Products Institute, 1200 Eighteenth Street, N. W., Washington 6, D. C. (paper), 50c.

California Fruit Statistics and Related Data (Bulletin 763) — University of California, Agricultural Publications, 22 Giannini Hall, Berkeley 4, Calif.

Commercial Banking in New England 1784 - 1958 — Federal Reserve Bank of Boston, 30 Pearl Street, Boston, Mass. (paper), on request.

Employing College Students. A Guide for Bank Management — Committee on Executive Development, The American Bankers Association, 12 East 36th Street, New York 16, N. Y., (paper), $1.00.

Glossary of Plastics Terms—Phillips Chemical Company, Bartlesville, Okla.

How to Select a New Electrical Appliance — Buyer's guide for prospective purchasers of major appliances — Kelvinator Division, American Motors Corporation, Detroit 32, Mich. (paper).

International Cultural Relations of the United States — Policies and Programs 1955-1958—U. S. Department of State, Washington, D. C. (paper).

Labor - Management Relations — Clarence E. Bonnett—Exposition Press, Inc., 386 Fourth Avenue, New York 16, N. Y., $10.

Mankind's Children: The Story of UNICEF—Robert L. Heilbroner —Public Affairs Pamphlets, 22 East 38th Street, New York 16, N. Y. (paper), 25c.

National Institute Economic Review — National Institute of Economic and Social Research, 2 Dean Trench Street, Smith Square, London, S. W. 1, England (published every two months), $6.00 per year ($10.50 per year, shipped air freight).

Objective Examination of Residual Hearing of Deaf Children— E. N. Sokolov and N. P. Paramonova—A translation of Russian research in hearing — Beltone Institute for Hearing Research, 2900 West 36th Street, Chicago, Ill. (paper).

Postwar Rise of Mortgage Companies — Saul B. Klaman — National Bureau of Economic Research, 261 Madison Avenue, New York 16, N. Y. (paper), $1.50.

Productive Nature of Wholesaling —How It Creates Value in Serving the Needs and Convenience of the Public — National Association of Wholesalers, 1001 Connecticut Ave., N.W., Washington 6, D. C.—on request.

Rural Low Income and Rural Development Programs in the South — National Planning Association, 1606 New Hampshire Avenue, N. W., Washington 9, D. C.

Schedule of Par Values: International Monetary Fund — International Monetary Fund, Washington, D. C., (paper).

Security Dealers of North America, 1959 Edition — directory of stock and bond houses in United States and Canada — Standard & Poor's Corporation, 345 Hudson Street, Dept. A860-1411, New York 14, N. Y., $14.00 per copy.

Story of the Busy Dollars: A Child's Guide to Life Insurance in the Family — State Mutual Life Assurance Company of America, Worcester, Mass. (on request).

Tin and Its Uses — Winter 1958 issue of Quarterly Journal—Tin Research Institute, Raser Road, Greenford, Middlesex, England —Copies available on request (American office, Tin Research Institute Inc., 492 West Sixth Avenue, Columbus 1, Ohio).

Transvaal and Orange Free State Chamber of Mines, 68th Annual Report for the year 1957 — Transvaal and Orange Free State Chamber of Mines, Johannesburg, Union of South Africa.

United States Latin American Relations—Report to the President — Dr. Milton S. Eisenhower — Superintendent of Documents, U. S. Government Printing Office, Washington 25 D. C., (paper), 20c.

Wages and Industrial Relations: Union Constitution Provisions (Election and Tenure of National and International Union Officers); BLS Bulletin No. 1239, 30c; Occupational Wage Surveys—Baltimore, Md. and Buffalo, N. Y.—BLS Bulletin Nos. 1240-2 & 3, 25c each; Earnings and Employment of Seamen on U. S. Flagships — BLS Bulletin No. 1238, 60c—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.

What's the Answer? A brief guide to Sources of Business Statistics — Committee on Business Statistics, Department of Manufacture, Chamber of Commerce of the United States, 1615 H Street, N. W., Washington 6, D. C., 50c (two or more copies, 35c each).

Wheat Surpluses and Their Impact on Canada-United States Relations — National Planning Association, 1606 New Hampshire Avenue, N. W., Washington 9, D. C., (paper), $1.00.

Who Buys the Houses: A report on the Characteristics of Single Family Home Buyers—Miles L. Colean and Leon T. Kendall— United States Savings and Loan League, 221 North La Salle Street, Chicago 1, Ill. (paper)

World Trade Data Yearbook—International Trade Review, 253 Broadway, New York 7, N. Y., $1.00.

Three With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Robert C. Bauer, James F. Smith, and Joseph P. Tzinberg have become associated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

I. M. Simon Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—James J. Taxman has been added to the staff of I. M. Simon & Co., 315 North Fourth Street, members of the New York and Midwest Stock Exchanges. Mr. Taxman was formerly with Edward D. Jones & Co.

Public Utility Securities

By OWEN ELY

Outlook Continues Favorable for Utility Earnings in 1959

The earnings outlook for utility companies continues generally favorable for the calendar year 1959. Electric utility earnings were not too much affected by the industrial setback in the first half of 1958, except for a few individual companies such as Detroit Edison, whose earnings drop of 16% (for the 12 months ended Jan. 31) reflected continuing unemployment in the area. While final returns are not yet in for a few companies, the electric utilities appear to have shown an average gain of about 5% in share earnings for 1958 vs. 1957. This would compare with an average rate of gain of about 7% in the previous five years.

These figures appear to be confirmed by the FPC monthly bulletin on "Sales, Revenues and Income" for November, which showed a gain in net income for that month of 12.3%, and an increase of 7.5% for the 12 months ended November. Allowing for a possible increase of 2 or 3% in the number of shares outstanding (There are no figures available on this) the figures would seem to indicate a net gain of about 5% in earnings per share.

The electric utilities were favored last year by such factors as cold weather in the south (a good deal of electric heating was used where facilities were available, especially in Florida), by relatively plentiful water for hydro generation, by a heavy construction program which resulted in substantial "interest credits on construction," by the increasing amounts of deferred taxes which in some cases were allowed to flow through to earnings, etc. On the other hand the air-conditioning load was probably disappointing (figures are not available) and plentiful rainfall in Texas and elsewhere meant smaller sales of power for irrigation pumping.

Turning again to the FPC figures for the 12 months ended November, we find that the number of customers increased 2.0% and kwh sales about the same percentage. While industrial sales were down nearly 3% due to the recession in the first half of 1958, residential sales gained over 8% and commercial 6%. Due to higher rates for industrial service (resulting from protective rate provisions plus rate increases) industrial revenues gained nearly 1% and total revenues nearly 5%. Plentiful hydro, plus some "softness" in coal prices and reductions in coal freight rates, cut fuel expenses more than 3% compared with 1957. As a result total expenses increased only 4%, and net operating revenues were up 7.8%. While interest on long-term debt jumped nearly 17%, due in part to higher money rates, this increased burden was largely offset by the higher construction credits mentioned above. Hence total income deductions increased only 6.1% and net income was up 7.5%. Dividends paid on common stocks were 5.3% larger in amount, reflecting both the greater number of shares and numerous dividend increases.

The outlook for electric utilities in 1959 should be for similar and probably larger gains. This seems borne out by management forecasts for a number of companies. Certainly in the first half (and probably also in the second) the utilities will enjoy increasing rather than declining industrial sales. Residential sales should show even better gains than last year, since housing starts are good and sales of appliances are expected to make a much better showing. On the other hand it seems unlikely that hydro conditions will be as favorable, and the interest credit on construction may average less this year. In general share earnings should show an average gain of between 5 and 10%, we estimate. Companies which have enjoyed rate increases recently, such as Tampa Electric and San Diego G. & E., should show even larger increases.

The outlook for gas companies is not as clear-cut. Pipe lines and integrated gas systems made an irregular showing in 1958, with a number of companies reporting lower net, while a few such as Arkansas-Louisiana Gas and Oklahoma Natural Gas reported large increases. The average increase in share earnings seems to be about 4%. This was less than half the rate of gain shown in earlier years—taking the postwar period as a whole, the pipelines have been the most prosperous utility group. Moreover, some earnings were under a cloud until the Memphis decision by the Supreme Court.

Pipeline earnings were not especially affected by cold weather since their entire annual output is usually sold under contract to distributors (although integrated systems like Columbia Gas also distribute gas). But the distributor group did exceptionally well in 1958 due not only to further progress in converting househeating customers to gas, but also to the extremely cold weather during much of the heating season in early 1958. While here again final results for the year are not yet at hand, it looks as though the average gain in share earnings may have been around 20% or better, aided by rate increases. It should be noted, however, that these results have not been weighted for company size, and the exceptionally large gains for some smaller companies such as Portland Gas Light may have unduly affected the average. In any event these companies probably showed twice their usual gain in share earnings, and this was reflected in appreciation of about 38% in the average price of 10 gas distribution common stocks on Feb. 20 compared with a year earlier, while the average price of 24 electric power common stocks showed only a 25% gain. (Moody Averages).

Leading telephone stocks have enjoyed a "market play" in recent months due to special developments as well as somewhat better earnings—American Telephone has benefited by the pending split and increase in cash dividend, while General Tel. has gained market popularity by its merger with Sylvania, effective March 5. Further gains in share earnings are anticipated for both companies in 1959.

Utility stocks demonstrated in 1958 that they were not necessarily tied marketwise to the trend of money rates, and the market craze for growth stocks of all kinds benefited stocks of utilities in Florida, Texas, Arizona and other growth spots. Some of the "growth utilities" selling at high multiples of earnings may now be vulnerable in the event of any sharp decline in the general market, but the rank and file of utility stocks seem likely to show greater resistance because of their investment calibre and anticipated good earnings for 1959.

Michael Fieldman Opens

BRONX, N. Y.—Michael Fieldman is conducting a securities business from offices at 1275 Grant Avenue.

Wellington Co. Adds Three To Investment Staff

PHILADELPHIA, Pa.—A. Moyer Kulp, Vice-President and Chairman of The Investment Committee of Wellington Company and affiliates, 1630 Locust Street, has announced three additions


Robert I. Cummin


Ronald F. Harper


Robert H. Kenmore

to the investment management staff: Robert I. Cummin, Ronald F. Harper, and Robert H. Kenmore.

Robert I. Cummin will serve as Assistant to Mr. Kulp and will be a member of the Investment Committee. Currently president of the New York Forecasters Club, Mr. Cummin's extensive investment experience includes responsibilities as corporate investment manager, investment firm partner, research department executive and director of several corporations.

Ronald F. Harper has served in the financial department of a major oil company, and as a security analyst for an investment company. Mr. Harper will serve the Wellington Company as security analyst.

Robert H. Kenmore will also serve as security analyst. He has been financial editor of "Astronautics" magazine and served as security analyst for an investment firm.

Continued from page 11

Where Commercial Banks Err In Attacking Savings Banks

considerations in mind. The need for adequate reserves and capital funds to margin future growth of thrift accounts is no less now than it was when the mutual thrift institutions were made subject to the Federal income tax for the first time.

Liberalization of the tax provisions governing commercial banks may be desirable. However, punitive tax measures, applied to mutual thrift institutions would weaken these institutions and add to the inflationary dangers in the economy. There would be a general loss of confidence on the part of depositors and shareholders in the strength of all thrift institutions, including commercial banks.

Moreover, a fundamental misconception in this whole tax question is that mutual savings banks and savings and loan associations pay little or no Federal income taxes because of some so-called "tax preference". Proposals for change, therefore, are often ill-advised because the real circumstances are not understood. The plain facts are that these mutual thrift institutions are subject to the regular corporate income tax and have been since 1951. Like other taxpayers, savings banks and savings and loan associations are permitted to deduct business expenses and interest. They are allowed to deduct additions to bad debt reserves until reserves, together with previously accumulated surplus and undivided profits, aggregate 12% of deposits.

It is misleading, furthermore, to refer to a "12% bad debt reserve"; the tax-free bad debt reserve allowed is only the difference between surplus, undivided profits and reserves previously accumulated and 12% of deposits. Institutions which have previously accumulated surplus and reserves aggregating 12% of deposits are allowed no deduction for statutory bad debt reserve additions. Thus, unless a savings bank distributes all of its earnings to the savers, in whose hands they are taxed as interest received, it must either (a) pay the regular corporate income tax up to 52% on the portion retained, or (b) if it has surplus and reserves of less than 12%, place the net earnings in a reserve for the absorption of losses from loans. No earnings may be retained for purposes other than meeting losses on mortgages and other loans except after payment of taxes, irrespective of the amount or percentage of surplus and reserves held by the bank. Even funds placed in the loss reserves are taxable to the bank at the regular full corporate rates if they are distributed or removed from that protective classification.

The reason mutual savings banks and savings and loan associations have not paid much in taxes in recent years, therefore, is that there has been little net income left after the above authorized deductions.

Clearly, any hasty, ill-considered imposition of additional taxes on mutual thrift institutions would be short-sighted, indeed. The whole question needs to be studied carefully within the framework of broad proposals for tax reform designed to remove inequities and improve incentives. In this respect, President Eisenhower spoke of the timing and nature of needed tax reforms in his recent State of the Union message by saying:

" . . . we can look forward to a time in the foreseeable future when needed tax reforms can be accomplished. In this hope, I am requesting the Secretary of the Treasury to prepare appropriate proposals for revising, at the proper time, our tax structure, to remove inequities and to enhance incentives for all Americans to work, to save, and to invest. Such recommendations will be made as soon as our fiscal condition permits. These prospects will be brightened if 1960 expenditures do not exceed the levels recommended."

Monetary policy considerations. The third question raised lately, mainly by academic theoreticians, is whether thrift institutions obstruct the operation of monetary policy and if so, is there a need to impose new financial controls on these institutions. The theoretical framework underlying this question is too complex to detail here, but in brief seems to run as follows:

The commercial banking system is admittedly unique in its ability to create check-book money through a process of multiple expansion based on fractional cash reserves. However, the deposits and share-accounts of thrift institutions, as well as the policy reserves of life insurance companies, are regarded by many individuals as substitutes for commercial bank checking accounts. Furthermore, the advocates of this new financial theory continue, the activities of thrift institutions increase the preference of individuals for these so-called "near money" assets over commercial bank checking accounts, and thus help undermine monetary policy.

For example, the theory goes on, during periods when inflationary pressures are strong and the Federal Reserve is pursuing a policy of credit restraint, thrift institutions compete more aggressively for savings in order to lend at high interest rates. As a result, some individuals are induced to shift from commercial bank checking accounts to savings accounts and shares, life insurance policies, and other so-called "near monies". By this process, thrift institutions and other non-commercial bank lenders are able to increase their lending at a time when the Federal Reserve is actively seeking to restrain credit expansion.

To express this new doctrine in somewhat different terms, it is asserted that while the Federal Reserve may succeed in limiting the **supply** of money, its action is frustrated by an increase in the **turnover** of money resulting from the ability of thrift institutions to mobilize and put to work the idle money balances of individuals.

To remedy the situation revealed by this theoretical analysis, the argument proposes that a specific policy of restraint towards thrift institutions be adopted. It maintains that cash reserve requirements similar to those now applied to commercial banks, should be imposed on mutual savings banks, savings and loan associations, life insurance companies, and other credit institutions, and that these cash reserve requirements should be variable at the discretion of some new proposed Federal agency.

Clearly, these proposed controls would go far beyond what most of us have always thought to be the legitimate sphere of monetary policy. It has long been recognized that the unique power possessed by the commercial banking system to expand the means of payment on the basis of fractional cash reserves must be regulated for the general economic benefit. It has also been widely accepted, until the appearance of recent theoretical discussions, that non-commercial bank financial institutions do not possess the same credit-creating power as do commercial banks and hence, are not properly subject to monetary controls. Unlike commercial banks, savings institutions are dependent for their loanable funds on the voluntary savings decisions of individuals. It is true, of course, that savings and loan associations have a somewhat greater leeway than mutual savings banks in that they are able to supplement their savings inflow to a limited extent by borrowing from the Federal Home Loan Bank System. The basic function of all thrift institutions, however, is to collect savings and lend or invest these savings to finance the long-term capital needs of business, home owners and governments — a fundamentally different function from that of commercial banks. The new doctrine obscures rather than

Continued from page 2

The Security I Like Best

other products of the commercial printing industry were built by this division. Equipment and supplies for offset lithography, the newest and fastest growing major printing process, account for approximately half of the corporation's annual sales. Last year Harris-Seybold introduced a completely new two-color press in the popular 25x38" sheet size which due to excellent consumers acceptance has resulted in large sales to the trade.

The Intertype Division is engaged in the manufacture, sale, leasing and servicing of typesetting machines, matrices, parts and accessories. It is one of the world's leading producers in the field. Among its customers are newspaper publishers, commercial printers, typographers and other graphic arts firms. The largest share of this division's business consists of the traditional typesetting machines. However, in recent years the Intertype Fotosetter, the first commercially available photographic line-composing machine, has been further developed, and its use is steadily growing in the printing and publishing industry. Improvements and gains in economical utilization of this machine, as the one most widely used for modern methods of producing type on photographic film, has considerably aided its application to lithography, gravure and photoengraving for letterpress. The Fotosetter has also been introduced with a Teletypesetter attachment for newspaper use. Punched tape from the typewriter-style keyboard of a Teletypesetter is used to actuate the Fotosetter, thus providing automatic high-speed production of newspaper text material. Recently a model of the Fotosetter, which can compose and letter full-page diagrams of electrical circuits, has been developed. This method is expected to be utilized for automation of engineering drafting work by large industrial and military organizations.

Until recently Harris-Intertype's acquisitions were confined to the printing equipment and supply field. These included the purchase in 1953 of both the Cottrell Company of Westerly, R. I., manufacturer of high-speed rotary printing and letterpress equipment, and the Macey Company of Cleveland, Ohio, producer of collating and gathering machines for automatic assembling of sheets of paper into sets; and in 1956, Lithoplate, Inc., of Los Angeles, Calif., manufacturer and distributor of presensitized plates and lithographic chemicals.

Late in 1957, the company's aggressive long-range product diversification program assumed a new and more dynamic phase with acquisition of Gates Radio Company of Quincy, Ill., a 36-year-old producer of broadcasting transmitters and studio control equipment for commercial broadcasting stations. This first major investment outside of the printing equipment industry provides the company with a strong nucleus for future expansion in the electronics communications field and opens up new avenues toward accelerated growth and greater contributions to earnings. It is understood that discussions for further acquisitions are presently being held with several manufacturers of allied electronics products.

Harris-Intertype operates eight plants in the United States, of which three are located in Cleveland, Ohio, one each in Dayton, Ohio, Los Angeles, Calif., Quincy, Ill., Brooklyn, New York and Westerly, R. I. In Europe a small plant is being operated in West Germany and a large plant in England. Sales and service offices are maintained in 14 cities in the United States and in Montreal and Toronto, Canada. For the fiscal year, ended June 30, 1958, foreign sales were about \$10,000,000, or 17% of the company's total business. Further substantial increases in **Harris-Intertype's** international manufacturing and marketing activities are anticipate over the coming years.

Modern research laboratories and product development facilities are maintained both at the company's headquarters in Cleveland, Ohio, and at the major divisions. An experienced staff of engineers is constantly testing and improving newly developed machines. Engineering and research expenditures, amounting to about \$2,800,000, or almost 5% of fiscal 1958 sales, are expected at a comparable rate for the fiscal year ending June 30, 1959.

Pro-forma sales and earnings of **Harris-Intertype** prior to the actual merger in June, 1957, are calculated by combining the results for Harris-Seybold's fiscal years ending June 30 and the calendar year totals for Intertype Corporation. On this basis sales increased from \$33,050,000 in 1952 to a high of \$59,079,000 for the fiscal year ended June 30, 1957, from where they declined to \$57,914,000 for the fiscal year ended June 30, 1958. Combined earnings rose from \$2,511,000, or \$2.12 per share in 1952 to \$4,895,000, or \$4.15 per share for fiscal 1956, fell slightly to \$4,733,000, or \$4.02 per share for fiscal 1957, and declined to \$2,952,000, or \$2.53 per share for the fiscal year ended June 30, 1958. Last fall business started to improve again and the order backlog has risen in recent months.

Earnings for six months ended Dec. 31, 1958, were \$1.61 per share on sales of \$29,102,000, compared with net income of \$1.15, on sales of \$27,180,000 for the same period a year earlier. Sale of the company's Milwaukee plant, completed on Jan. 15, 1959, has resulted in a non-recurring profit estimated at 20 cents per share which will be included in the third quarter earnings statement. Total earnings for the fiscal year ending June 30, 1959, are estimated in the neighborhood of \$3.50 per share on sales approaching \$60,000,000.

Dividend payments, which have been made continuously since 1941, are presently at an annual rate of \$1.50 per share. **Harris-Intertype** is in strong financial and working capital position with current assets of \$43,377,000 on June 30, 1958, including cash and government securities of \$5,891,000, compared with \$9,422,000 current liabilities. Book value stood at \$37.14 and working capital after deducting long-term debt was \$25 per share at that time. Capitalization consists of 1,165,232 shares of common stock preceded by \$4,800,000 long-term debt.

The outlook for this leading manufacturer of printing, publishing and broadcasting equipment looks extremely promising. Major emphasis is being placed on internal product development, increased foreign activities and acquisitions of companies in the graphic arts equipment and electronic communcations fields. Application of electronic techniques is becoming more important in the development of new printing and typesetting machines. Thus further electronic "know-how" gained from acquisitions of electronics manufacturers should accelerate growth and greatly enhance the company's earning power, which could reach \$5 or more per share by 1961. With this new and dynamic potential injected into the traditional printing equipment lines, and with **Harris-Intertype's** highly regarded management dedicated toward greater efforts in its intensified long-range growth and diversification program, revenues and earnings should steadily increase in future years. The shares, currently selling around 36 on the New York Stock Exchange, are available at only 10 times estimated fiscal 1959 earnings and appear very reasonably priced with good appreciation possibilities over the longer-term.

Frank Kley Joins Jones, Kreeger Co.

WASHINGTON, D. C. — Jones, Kreeger & Co., 1625 Eye Street, N. W., members of the New York Stock Exchange and other principal exchanges, announce the appointment of Frank Kley as head of their municipal bond department.

Mr. Kley has been associated with the firm's New York correspondent, Hayden, Stone & Co. in its institutional department. From 1950 to 1957 he was connected with Sterling National Bank & Trust Co. of New York as Vice-President and head of its bond department.

Twin City Inv. Women To Hear A. R. Evans

ST. PAUL, Minn. — The next meeting of the Twin City Investment Women's Club will be held Wednesday, March 18, 1959, at Coleman's Restaurant in St. Paul, Minn. Social hour from 5:30 to 6:30 p.m., followed by dinner.

The guest speaker will be Arthur R. Evans, Vice-President and Treasurer, Northwest Bancorporation. Mr. Evans will discuss "Bank Holding Companies."

Now With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William E. Guarante has become associated with Paine, Webber, Jackson & Curtis, 24 Federal Street. He was formerly with Reynolds & Co.

La Hue Inc. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Paul A. Carstens has been added to the staff of La Hue Investment Company, Pioneer Endicott Arcade.

Joins John G. Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Neil C. Croonquist has joined the staff of John G. Kinnard & Company, 80 South Eighth Street.

Stewart, Eubanks Add

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Walter N. Boysen, Jr. and Robert D. Fraser have become affiliated with Stewart, Eubanks, Meyerson & Co., 216 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Bullen Inv. Manager For Gruntal & Co.

Theodore F. Bullen has become associated with Gruntal & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, as Manager of the Investment Research Department.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Brown A. Thomas is now associated with Shearson, Hammill & Co., 520 South Grand Avenue. He was formerly with Jones, Cosgrove & Miller and Merrill Lynch, Pierce, Fenner & Beane.

Securities Salesman's Corner

By JOHN DUTTON

"Lead the Horses to Water"

I sometimes wonder why it is that so many people develop buying habits that follow a pattern. Possibly it is because most of us do this all through life. We find a way of coming to a decision and we stick to it. The force of habit is very strong—even when it comes to making a decision regarding investments.

The competent investment man must conserve his time and his energy. It is not enough that he suggest attractive investments, at the right time to the proper people —he must also do it in such a way as to encourage them to heed his suggestions. This we call salesmanship. Quite frankly I very much believe that the man who is capable of achieving an acceptance of his ideas will do a better job for his clients than the best informed analyst who talks, cajoles and gets nowhere. The salesman who can sell ideas (if they are good ones) is the man that people need to help them with their investments. I have yet to meet with a good detail man who can sell.

I have known many very intelligent and otherwise capable investment men who could recite the SEC rules and the NASD rules backward. They had the latest earning reports on dozens of securities at their fingertips, and were so busy memorizing, detailing and trying to impress others with their vast fund of statistical material that they either talked their way out of sales, or bored most people to the extent that while they were hammering away with their facts and figures the person to whom they were telling their story was busy thinking about something far removed from the subject.

The salesman who studies the buying habits of his customers will do more business and help his customers to come to decisions with the least amount of resistance. Here are a few examples that come to mind:

The investor who wants a call after hours. There are some people who do not wish to discuss their investments during business hours. Some Doctors fall into this category. A telephone call in the evening or on a week-end will suit them better and they will be more responsive to suggestions.

Some investors want to hear of special situations. There are certain security buyers mostly interested in capital gains who desire information given to them concernings mergers, possible new products, stock-splits, etc., etc. They want this information because they feel that they are on a preferred list, that something unusual might happen to increase the value of a security, and they will buy into such situations if you confine your calls to this type of investment. Care should be taken to give out information that is verified and, if not, to label it so. These people will not buy yield, long-term growth, or run of the mill investments—for them it has to be something special.

Certain investors want to take a day to think it over. I have some customers who will invariably say, "let me think it over." Then they will follow my suggestions anyway. I discovered they did this time and again and always reacted the same way. I now send them something to read if possible. The next day I follow with a phone call and I suggest that they think about my suggestion (after I have given my brief reasons for making it) and let me know. They always do. If I tried to obtain a decision on the phone I'd run into that same pattern of habit — let me think it over.

Some people want to be on your preferred list. So little opportunity for displaying our vanities still remain in this fast, hurrying, space age I suppose that some investors cannot be criticized if they like to be called first on "new issues" and attractive investment opportunities. One day I received a telephone call from a customer criticizing me because I didn't phone him regarding a new issue that was advertised in the paper. Quite frankly, our firm was not in the underwriting or selling group, and I never even gave it a thought. The next time an offering appeared that I thought this customer might notice I called him and told him a DAY BEFORE THE ADVERTISEMENT APPEARED that if he didn't hear from me that I wanted him to know that I didn't consider the offering one that was desirable for his account. I wanted him to know that I wasn't overlooking him, but rather I was not calling him because I didn't think it was to his best interest to offer him the subject bonds. Much to my surprise this went over pretty well with him. He thanked me not only for remembering him, but also for telling him I didn't think the issue was attractive enough for me to offer it to him.

There is a lot more to salesmanship than you can learn from reading a book, or a column on the subject. I've been selling since 1925 and I'm still learning something new every day.

Charles Plohn & Co. Offers Stock Units

Charles Plohn & Co., of New York City, are publicly offering in units 150,000 shares of common stock (par 10 cents) and 150,000 common stock warrants of TV Junior Publications, Inc. on a best efforts basis. Each unit, consisting of one share of stock and one warrant, is priced at \$2.50.

The stock purchase warrants may be exercised during a period of two years at \$3 per share.

This company, which is located at 225 Varick St., New York, N. Y., publishes the TV Junior magazine, said to be devoted to and printed for children between the ages of 4 and 12.

Net proceeds of this financing are intended to be used first to pay (a) the sum of \$60,000 to repay loans by company officials; (b) some \$15,000 of past-due payables owing chiefly to Promotion Press; and (c) the balance for working capital and expansion of circulation.

The company has outstanding 160,000 common shares before the sale of the 120,000 units by the company.

With Gaston Roberge

(Special to THE FINANCIAL CHRONICLE)

LEWISTON, Maine—Donald J. Roy has become connected with Gaston J. Roberge & Co., 124 Lisbon Street.

Preston, Moss Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Bernard C. Jones has been added to the staff of Preston, Moss & Co., 24 Federal Street.

Camp Adds to Staff

PORTLAND, Oreg. — William S. Walker has become affiliated with Camp & Co., U. S. National Bank Building.

Continued from first page

Business and Credit Trend

when the economy recovered from its third and sharpest postwar recession. Business activity, as measured by gross national produce reached a peak of $446 billion in the third quarter of 1957. Think of it, we were then turning out goods and services having a market value nearing the half trillion dollar mark. Figures like $446 billion are so astronomical that the human mind has difficulty giving them real meaning. It is perhaps easier to grasp this total if I tell you that $446 billion in total output meant a per-capita production of $2,600, or a per-family output of $8,300. In the fourth quarter of 1957, the decline started. A number of factors were to blame.

(1) Business spending on new plant and equipment was cut back sharply. During the six months ending in early 1958, business expenditures were reduced at a $6 billion annual rate, or 12%. Why did businessmen suddenly decide they needed fewer new factories, less new machinery, and not as many new office buildings? I think the answer is simple: They had difficulty digesting the spending splurge of 1955 and 1956. As excess capacity piled up in such industries as steel and paper, some of the exuberance about our immediate future waned and over-optimism gave way to a more cautious policy on capital expenditures. I should add also that another reason for the piling up of excess manufacturing capacity was the fact that consumers exercised their prerogative in a free economy to change their preferences. Since early 1956, consumers have been spending proportionately less on durable goods such as autos, refrigerators, and washing machines. In the third quarter of 1957, total consumer expenditures were $15 billion more than a year earlier, yet spending on durable goods showed virtually no increase. Now, such a pronounced shift in consumer preferences, if it is not foreseen far enough in advance by manufacturers is likely to lead them into providing an excess in productive facilities for durable goods.

(2) Other types of spending too began to run out of steam. For example, early in 1958, expenditures for new housing began to weaken, and the balance of our exports over imports drifted downward.

(3) But if I had to pick out the single most important reason for the recession of 1958, I would point the finger without hesitation to inventory policies. Let me explain. When the economy is producing more than it can sell currently, the excess production must go into inventories, that is goods are allowed to pile up on the shelves of manufacturers, distributors and retailers. But there are times when production is allowed to fall below total sales of goods and services. These are the times when businessmen rely on inventories rather than current output to fill their orders. When that happens, when deliveries are made out of stocks, production is curtailed much more sharply than final sales. Production personnel is laid off and the unemployment rolls grow. This is what happened to our economy in early 1958; this accounted for two-thirds of the economic downturn. Inventories were being drawn down, at a rate approaching $10 billion in the first quarter of 1958. By meeting orders through the liquidation of inventories, businessmen were depressing current production by that amount.

These three factors — reduced business capital outlays, less spending for housing and exports, and most important, the turnabout in inventories to a negative figure,—accounted for the business recession of 1958. Gross national product fell from $446 billion in the third quarter of 1957 to only $429 billion in the second quarter of 1958—a drop of $17 billion or 4%.

The Recovery of 1958

We were fortunate indeed that the recession did not snowball and present us with an even more serious economic problem. By April, 1958, the economy touched bottom and business conditions began to turn up. I remember in May of this year speaking to the New Jersey Society of Certified Public Accountants and predicting a $20 billion rate of increase in G.N.P. by the end of the year. I remember too being tagged in derision by a fellow forecaster a member of the so-called six months club composed of overly optimistic economists. But we have had a $20 billion rise in G.N.P. in that time, for we have just been through one of the fastest business recoveries on record.

(1) The villain of the recession — inventory liquidation — was tamed during the past half year; in fact inventories have been responsible more than any other element in the business situation for bringing about a strong recovery. Just as inventories dragged down total production by nearly $10 billion only 12 months ago, they are now a powerful force in stepping up the tempo of our economy. Businessmen have stopped drawing down their inventories which means they must now rely on current production to fill their orders. Thus, output has had to rise merely to supply what had formerly been taken from stocks accumulated on the shelves.

(2) In addition to the ending of inventory liquidation, government spending helped bring us out of the recession. As you all know, Federal Government spending has been rising in recent months to the chagrin of the Treasury which must now find ways of financing the national deficit. Many of us recommended temporary tax cuts during the period of the recession to stimulate business instead of increased government spending. The reason is that spending programs take too long to become effective and by the time they get into full swing, they are prone to contribute serious inflationary pressures. In my talk to the CPAs in May I recommended an immediate tax cut of $6 billion to give consumer spending a powerful shot in the arm.

Unfortunately, it is impossible at present to reverse quickly government spending commitments, not only because funds appropriated during the recent recession are only now coming into the spending stream but because too many entrenched interests are determined to let the dollars flow. A temporary tax cut would now be expiring, thereby lifting some of the inflationary pressures in our economy. This is certainly one lesson the recession of 1958 should have taught us. Will we act more wisely when the next recession comes along?

(3) Consumers too did much to trigger off a recovery. Fortunately consumers did not lose their confidence during the recession of 1958. When the final figures for last year are published, I expect consumer spending to show a full year gain of $10 billion.

(4) Housing too strengthened the forces of recovery by rising more than $3 billion between the second and fourth quarters of this year. As interest rates eased in early 1958, funds poured in heavy volume into the mortgage market and FHA mortgages once again became attractive. Housing starts, which had fallen to the low annual rate of 915,000 units in February responded immediately. The rate of housing starts rose in every single month thereafter, and in the closing months of the year averaged close to 1.3 million units—the highest rate since 1955.

The Situation Today

This is where we stand today. Gross National Product has been through a typical business cycle. From $446 billion in the third quarter of 1957, it dropped to only $429 billion six months later. By now, G.N.P. has not only recovered to its former height, but at $453 billion has even topped the previous record of 15 months ago.

But if I were to say all is well I would indeed be misleading. G.N.P. at $453 billion is a deceptive figure for as prices have gone up, G.N.P. has risen. Real output, that is output measured in the purchasing power of the 1957 dollar is just about equal to the peak reached in the third quarter of 1957. The fact is that in terms of physical output, we have made no progress. We have, it is true, recovered from the depth of the recession. Things are a great deal better economically than they were only a half year ago. But my point is that this is not enough.

An important fact to remember about our economy is that we cannot afford to stand still. Each year we add something like 600,000 persons to the labor force—that is our labor force expands by this number even after we take account of the people who retire from it. Unless we can absorb these people by enlarging the size of the economy, we are bound to increase the number of unemployed.

What's more, nearly every year we improve our productive efficiency by 2-3%. This means we can produce the same output with fewer people. It is a good thing too that we become more efficient for that is how we raise our standard of living. Moreover, increasing productivity is one of our most potent weapons against inflation. But in the short-run, the labor displaced by improved methods of production must be absorbed by a growing economy.

Business in the Year Ahead

What of the year ahead? Will we enjoy enough economic growth to absorb the above-average number of persons still unemployed? Will we have sufficient growth to provide jobs for the 600,000 joining the labor force, as well as for those displaced by the economy's higher productivity?

Here are my expectations for business during the next 12 months:

(1) First, business capital expenditures. Here I think only a modest increase will occur, amounting to about $2 billion. The emphasis will be more on modernizing equipment and less on expansion of plant. Many industries will still be operating below capacity in the first half of the year so that the increase in capital expenditures is likely to be small.

(2) Additions to inventory are also likely to be moderate. As sales grow, there is of course, a need for larger inventories. The need at present is principally at the retail level. The ratio between retail inventories and sales is today lower than at any time in the past eight years. At the manufacturing level, stocks of raw material are likely to rise, but inventories of finished products are adequate in most lines so that total manufacturing inventories will show only a small increase. Principally because of retail stock building, total business inventories will probably rise in 1959 by about $2.5 billion. But remember this: While last year inventory cutting was responsible for depressing output by $5 billion, this year inventories will be rising by $2.5 billion. The net effect of this turnabout in inventories will be to add $7.5 billion to production in 1959 compared to 1958.

(3) Housing—that segment of the economy which contributed so much to the business revival—has already reached its peak for 1959. I expect a leveling in housing starts at about 1.2 million units primarily because mortgage money will not be available as readily in the coming 12 months as in those just passed. Housing expenditures, as you know, are the result not only of the number of dwelling units built during the year but the average unit cost of construction. With costs rising, particularly in the second half of this year, I think housing expenditures will top 1958 by about $1 billion.

(4) **Government Spending.** Federal Government purchases of goods and services will unfortunately show a larger rise in 1959 than in 1958. I have already referred to the lag in the impact of government spending programs. It will prove as difficult to stop the rise in government outlays as it was to get them under way. I expect Federal spending to be up by $3.5 billion.

State and local governments are straining to keep pace with the pressing demands of our population for schools, roads, waterworks, and public buildings. The Federal-State highway program is now getting started in earnest. All told, I estimate that State and local government spending in 1959 will be some $4 billion higher than a year ago. Thus G.N.P. will be spurred not only by a $3.5 billion rise in Federal Government outlays but a $4 billion increase in State and municipal spending.

(5) And now we come to the most important element in the business picture—that independent and hard-to-predict fellow, the consumer. What will he do in 1959? We have studied his actions with some care and I won't trouble you with all the statistical evidence which leads us to be optimistic about his spending plans this year. The rise in consumer purchases will be large. The trend toward durable goods, including cars, which began in the last half of 1958 will continue. Employment will increase by about 1½ million persons—a rise sufficient to absorb the expected growth in the labor force, as well as the effects of our increasing productivity. We will be able to reduce unemployment to a normal level by the second half of the year. Wage rates will rise, and the average work week will lengthen. Corporate profits will improve markedly.

The combined effect of all these factors will be to boost personal income in 1959 by about $20 billion. Even without resorting to heavy buying on credit, consumers will increase their purchases by $16 billion.

What does all this add up to? So far as the arithmetic is concerned, it means that G.N.P. will rise by $34 billion above the level of 1958, reaching a total of over $470 billion.

A total national output exceeding $470 billion, spurred by a $34 billion rise in one year, is impressive indeed. But it carries a

THE SOURCES OF NEW FUNDS
(billions of dollars)
1953-57 actual; 1958-59 estimated

Sources of Funds	1953	1954	1955	1956	1957	1958	1959
FINANCIAL INSTITUTIONS	11.4	12.5	13.8	12.2	12.3	13.9	14.8
Life Insurance companies	4.8	5.1	5.2	5.0	4.8	4.9	5.2
Savings & loan associations	3.7	4.3	5.6	4.7	4.8	5.6	6.0
Mutual savings banks	1.8	2.0	2.1	2.0	1.9	2.7	2.7
Fire & Casualty cos.	1.1	1.1	0.9	0.5	0.8	0.7	0.9
COMMERCIAL BANKS	4.3	10.3	5.2	4.5	5.2	12.0	6.0
CORPS. & CORP. PENS. FDS.	4.8	0.4	9.5	—1.2	2.3	3.9	7.6
Corporations	3.0	—1.4	7.5	—3.4	—0.3	1.1	4.5
Corporate pension funds	1.8	1.8	2.0	2.2	2.6	2.8	3.1
U. S. GVT., STATES & LOCAL.	2.4	2.4	2.0	2.5	3.0	2.0	2.4
Federal loan agencies	0.5	—0.2	0.5	0.8	1.6	1.1	1.1
States and localities	1.9	2.6	1.5	1.7	1.4	0.9	1.3
FEDERAL RESERVE BANKS	1.2	—1.0	—0.1	0.1	—0.7	2.1	0.5
INDIVIDUALS & OTHERS	6.0	2.5	10.6	9.2	8.7	2.2	8.7
Foreigners	0.6	0.6	1.4	0.5	0.1	—0.5	1.0
Individuals & others (residual)	5.4	1.9	9.2	8.7	8.6	2.7	7.7
Total Supply	30.1	27.1	41.0	27.3	30.8	36.1	40.0

THE DEMAND FOR NEW FUNDS
(billions of dollars)
1953-57 actual; 1958-59 estimated

Demand	1953	1954	1955	1956	1957	1958	1959
BUSINESS	9.4	8.1	16.2	16.4	15.3	12.7	15.2
Commercial mortgages	1.2	2.3	2.9	2.9	2.7	2.9	3.4
Farm mortgages	0.5	0.5	0.8	0.8	0.6	0.7	0.7
Corporate bonds	4.8	3.8	4.2	4.8	7.5	6.5	5.2
Corporate stocks (excl. invest. cos.)	1.9	1.8	1.9	2.4	2.7	1.9	2.4
Business credit	1.0	—0.3	6.4	5.5	1.8	0.7	3.5
INDIVIDUALS	12.0	12.7	20.1	13.9	11.8	10.1	14.1
Residential mortgages	8.2	9.6	12.5	10.8	8.6	9.5	10.5
Consumer credit	3.8	1.0	6.4	3.4	2.7	*	3.0
Other uses	*	2.1	1.2	—0.3	0.5	0.6	0.6
GOVERNMENT	5.4	2.2	1.4	—6.0	—0.7	7.7	5.7
U. S. Governments	5.4	2.2	—0.1	—6.4	—2.9	8.2	5.2
Federal agency issue	—	*	1.5	0.4	2.2	—0.5	0.5
STATE & LOCAL	3.3	4.1	3.3	3.0	4.4	5.6	5.0
Total Demand	30.1	27.1	41.0	27.3	30.8	36.1	40.0

*Under $50 million.

THE SOURCES AND USES OF CREDIT AND CAPITAL*
(billions of dollars)
1953-57 actual; 1958-59 estimated

	1953	1954	1955	1956	1957	1958	1959
Demand for Funds							
Business†	9.4	8.1	16.2	16.4	15.3	12.7	15.2
Individuals	12.0	12.7	20.1	13.9	11.8	10.1	14.1
U. S. Government	5.4	2.2	1.4	—3.0	—0.7	7.7	5.7
States and Localities	3.3	4.1	3.3	3.0	4.4	5.6	5.0
Total Demand	30.1	27.1	41.0	27.3	30.8	36.1	40.0
Supply of Funds							
Financial institutions‡	11.4	12.5	13.8	12.2	12.3	13.9	14.8
Commercial banks	4.3	10.3	5.2	4.5	5.2	12.0	6.0
Corps. & corporate pension funds	4.8	0.4	9.5	—1.2	2.3	3.9	7.6
U. S. Govt.; states and localities§	2.4	2.4	2.0	2.5	3.0	2.0	2,4
Federal Reserve banks	1.2	—1.0	—0.1	0.1	—0.7	2.1	0.5
Individuals and others	6.0	2.5	10.6	9.2	8.7	2.2	8.7
Total Supply	30.1	27.1	41.0	27.3	30.8	36.1	40.0

*This table covers the net new demand and supply of funds, exclusive of maturities and redemptions.

†Excluding trade credit.

‡Life Insurance Companies, Savings and Loan Associations, Mutual Savings Banks, and Fire and Casualty Companies.

§Including FNMA, VA, and other direct U. S. Government mortgage loans; excluding trust fund purchases.

number of implications which you will want to consider carefully in laying your own plans.

It means that as the economy plunges into the second half of 1959, the slack in employment, as well as in plant and equipment, will disappear. To the extent that this spells more employment, larger incomes, higher profits, and a generally heightened level of business activity, it will be a welcome development. But, unfortunately, it is likely also to raise prices. While prices will remain rather stable during the early months of this year, new upward pressures on prices will be in the making toward the summer. As the year 1959 draws to a close and the economy once again nears capacity operations, the threat of a renewed outbreak of inflation will confront each of us. I am rather skeptical that we, as a nation will show the same determination to defeat the dangers of inflation as we do in opposing the forces of recession.

The Outlook for Interest Rates in 1959

What will be the direction of interest rates in the year to come?

It is my conviction that some further tightening in rates will occur, particularly during the second half of the year.

Let me give you my reasons for this conclusion, based upon an analysis of the outlook for the sources and uses of credit and capital in 1959. (See tables following.)

• Five major factors will be at work tending to provide a further lift to interest rates:

(1) The demand for residential mortgages will rise by about $1 billon, reflecting not so much increased housing activity as higher prices.

(2) The Federal Government will be a net cash borrower of close to $6 billion in the public market.

(3) Consumer credit is expected to show a rise of $3 billion as the public steps up its buying of consumer durables, including cars.

(4) Business borrowing from the commercial banks will be $2.5 billion higher than it was in 1958. The relatively low level of corporate liquidity at present will not allow corporations themselves to finance entirely the anticipated expansion in receivables, in inventory, and in working capital, even with substantially higher corporate profits. The banking system, too, is not as liquid as it was at the end of the last recession.

(5) Finally, acting in the direction of tightness will be the Federal Reserve System, mindful of its obligation to restrain inflationary pressures in an economy nearing full capacity operations. I think it is a safe bet that the Federal Reserve will continue to exercise a restraining influence throughout the year, preferring to err on the side of tightness rather than risk being blamed for permitting excessive price inflation. As a result, I expect the commercial banks to be able to expand their loans and investments by only $6 billion, about half the rate recorded in 1958.

Two factors operating in the financial market will prevent the rise in interest rates from becoming too extreme:

(1) First is the growth of funds furnished by financial intermediaries, which will rise along with the growth of private savings. Life insurance companies, savings and loan associations, and mutual savings banks will probably supply about $1 billion more than in 1958.

(2) Individual investors will step up the pace of their net new lending and investing activities. My analysis of the sources and uses of funds indicates that the category "individuals and others"—where the "others" category refers mainly to unincorporated business and non-profit organizations—will rise from $2.2 billion in 1958 to $8.7 billion in 1959. This finding is of great importance. For the item "individuals and others" has in the past provided a sensitive gauge to the pressures existing in the financial markets. When this source of funds went up, interest rates tightened; the reverse was also true, a drop in the individuals and others category being accompanied by a drop in rates. The sensitivity of this source of funds appears to be due to the fact that higher interest rates induce individuals to invest more of their funds directly in such financial instruments as bonds and mortgages. On the other hand, when the demand for funds eases and interest rates soften, individuals and others are prone to reduce their direct participation in the financial markets. The rise projected for 1959 in the individual supply of funds is a strong indication that the direction of interest rates will continue to be up.

In analyzing the outlook for interest rates, it is well to bear in mind, however, that we have already had a very sharp rise in interest rates since the recession lows of 1958. The drop in bond prices has been one of the dramatic events of 1958. Bond prices, to some extent already reflect optimistic expectations about the rate of economic expansion in the months ahead. They also reflect widespread fears of mounting inflationary pressures.

In view of the fact that the market has already discounted some of the rise in business activity, it would not surprise me now to see a temporary pause in the upward push on rates during the months immediately ahead. Rates are now at the peaks reached during the height of prosperity in 1957. It is likely, however, that they will gather forward momentum—about the middle of the year, as the economy proceeds along the road to full recovery.

Summing Up

In the year ahead, the United States will enjoy increasing prosperity. There will be a modest increase in business spending for plant and equipment, a sharp turnabout in inventory policies, a leveling out in housing starts, and a considerable rise in government spending, both at the Federal and local levels. Even without resorting to heavy buying on credit, consumers are likely to increase their purchases by $16 billion. All told, these developments will generate a $34 billion increase in national output, lifting gross national product to a record total of more than $470 billion.

The effect of this rise in output will be to absorb unused resources of both labor and plant. I look for an economy operating near capacity levels in the second half of the year, at which time inflationary pressures will become considerably stronger.

So far as interest rates are concerned, my analysis of the sources and uses of funds in 1959 convinces me that some further tightening in rates will occur, particularly during the second half of the year, sparked by the increased financial needs of consumers, business, and government, as well as by a Federal Reserve policy of active restraint.

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thus far in 1959 were at the lowest dollar level for any January-February period in eight years.

Public construction expenditures through the end of February 1959, at $2.0 billion, were 16% above a year earlier and at a new high for the two-month period. The gain from 1959 was stimulated by increased activity on highways and housing, though over-the-year advances were scored also by most other types of public projects.

Highest January Building Permits Recorded

The total value of building permits for 217 cities in January reached the highest level for any January on record. The total came to $488,123,741, for a gain of 8.8% over the prior peak of $448,558,401 set in 1955. The current level was up 11.4% over the $438,331,568 of January 1958 and exceeded the prior month total of $458,900,150 by 6.4%.

Permits in New York City during January were at the highest level since last August. They amounted to $77,999,456, compared with $67,583,851 in January 1958 for an increase of 15.4%. The total was 23.5% higher than the prior month's $63,175,489.

Building permits issued in the 216 outside cities were valued at $410,124,285. This was 10.6% higher than the $370,747,717 of January a year ago and 3.6% above the preceding month's $395,724,661.

Can Makers Seen Turning to More Aluminum Use

"Aluminum cans have arrived," currently are being used for a variety of products, and "will be used increasingly for other products where the metal provides some special advantage."

These were the major conclusions drawn in a research report presented by American Can Company at a meeting of the National Canners Association annual convention in Chicago.

Doctors L. P. Gotsch, E. F. Eike and K. W. Brighton, all of Canco's Barrington, Ill research laboratory, confirmed that "can manufacturers are anxious to have an alternate for tin plate and are leaving no stone unturned to develop all of the facts about aluminum.

"We are willing to commit increasingly greater research funds on the gamble that the price of aluminum will be reduced enough to make aluminum cans competitive with tin plate cans," they said.

The research specialists said "the key to whether or not aluminum will ultimately be used for vegetables, meats, fruits and other processed items is the future price actions of the aluminum producers."

New "Bounce" to Rubber Industry Forecast

Automated production and new synthetic products are expected to bounce the rubber industry to greater sales and profits in the early 1960s, reports "Chemical Week," the McGraw-Hill publication.

Some of these impending developments—coming as a result of the industry's $85 million research program—may help rubber sales to reach a peak of more than $6 billion this year. In 1958, sales were $5.5 billion.

Of course, a prime factor in the brighter 1959 sales picture is the expected sharp improvement in automobile sales.

Perhaps the most promising development in the industry is automated tire-making machines that could cut production work forces by as much as 60%.

At least one company hopes to install such a machine in its plants by 1960. The machine—believed to be in the final testing phase—is said to be capable of turning out 480 tires an hour. And it is known that other rubber companies also are conducting automated production research.

Tough Steel Contract Negotiations Indicated

Steel labor is not likely to extend its contracts with steel companies beyond the June 30 expiration date, according to "The Iron Age," national metalworking weekly.

"Iron Age" said the United Steelworkers have a traditional policy of refusing to work without a contract. It added that the union will not abandon this policy without assurance that it would be to its advantage.

"Speculation that the steel union might forego its right to strike if negotiations for a new contract become deadlocked is little more than wishful thinking," said "Iron Age." "It has absolutely no basis in fact.

"Contract extensions would be a sure sign of union weakness. Furthermore, it would enable steel users to build inventories to the point where a subsequent strike threat would be almost meaningless.

"David J. McDonald, President of the steel union, is too smart to put himself and his members in such a vulnerable position."

The metalworking weekly said Mr. McDonald's reaction to Sen. Kefauver's suggestion that steel labor limit its demands to the average rise in steel productivity is a tipoff that contract negotiations this year will be as tough as they ever were.

"Mr. McDonald indicated he wanted no part of a formula that would tie his hands during negotiations," "Iron Age" said. "He will go after everything he can get from the steel companies. This attitude will run head-on into the steel industry's determination to hold the line on wage and fringe increases and thus help stem inflationary forces."

And here's another angle: The mills themselves would not relish the idea of working without a contract. There would always be the danger of wildcat strikes and the risk of damage to expensive mill equipment.

Meanwhile, the steel market continued to tighten on the basis of strike hedging and general improvement in business. Steel users are laying in as much inventory as they can and will continue to do so between now and June.

Purchasing agents are finding it increasingly difficult to line up sources of supply for first half delivery. The mills are carefully screening all orders on the basis of each customer's past requirements. They are also trying to sift out suspected duplicate orders from users who normally buy from other mills.

New Steel Production Record Looms

Strike-hedge buying is lowering the odds on a steel strike, "Steel" magazine reported.

The metalworking weekly said most observers still think we will have a strike, but they are not as positive as they were a couple of weeks ago.

Consumers are pressing for everything they can get before July 1. So far, there has been little, if any, panic in their buying, and major producers told "Steel" last week that the situation is well under control.

A few weeks ago, consumers were trying to line up April and May deliveries, hoping to keep storage and finance charges at a minimum. Now they are asking that orders be shipped immediately. Chances of having deliveries speeded up are poor.

Most mills are fully booked on flat-rolled products, and few have open tonnage in oil country goods, bars, plates, or structurals. Chicago steelmakers are allocating all their products.

Strike-hedge buying is also putting a false front on our ingot rate; metalworking's business is not that good.

The ingot rate last week went up 2 points to 88% of capacity. Output was about 2,492,000 net tons of steel for ingots and castings, just under the record output of 2,525,000 tons in the week of Dec. 17, 1956. The record will probably be broken this week. Eleven out of 12 district rates were up or held even.

Steel shipments are slated for a big jump as consumers add to their inventories, "Steel" said. March shipment of finished steel is expected to top 7 million tons for the first time since June 1957. By midyear, users will have 21 million to 22 million tons in inventory.

Industry observers say that a four to six week strike would cut steel stocks to the Jan. 1 level. Few users would have to shut down except for imbalances in supplies. An eight-week strike would put stocks at rock bottom. Steelmaking operations would jump almost immediately after the settlement to 90 or 95% of capacity, remaining strong until year end.

If there is no strike or a short one, there will be a decided slump in the steel industry during July and August, with operations going as low as 45 to 50% of capacity. A slow buildup will follow, with operations hitting about 75% of capacity by the end of the year.

Demand for major nonferrous metals is not running as hard this quarter as some prognosticators believed it would, "Steel" said. Demand is generally much better than it was a year ago, but sales are spotty. Business continues at a gallop for some metals. Others can't seem to get started.

The magazine's price composite on steelmaking scrap advanced 33 cents last week to $42.83 a gross ton, despite continued absence of active demand.

Previous Steel Output Records Shattered

The American Iron and Steel Institute announced that the operating rate of steel companies will average *157.8% of steel capacity for the week beginning March 2, equivalent to 2,535,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of 156.0% of capacity and 2,506,000 tons a week ago.

Actual output for Feb. 23 week was equal to 85.5% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for the week of Feb. 23 is 89.5%.

For the Feb. 23 week a month ago the rate was *142.4% and

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production 2,288,000 tons. A year ago the actual weekly production was placed at 1,425,000 tons, or *88.7%.

*Index of production is based on average weekly production for 1947-1949.

Chrysler Production Swells Car Output

U. S. passenger car makers concluded February operations with their highest production volume in six weeks, "Ward's Automotive Reports" said on Feb. 27.

Scheduled for week ended Feb. 27 were 128,319 automobiles, 6% more than last week (120,780) and 40% above the corresponding week a year ago (91,508).

"Ward's" estimated total February car production at 479,000 units, which compares to 545,757 in January and 392,112 in February 1958.

Responsible for all of the recent week's increase was Chrysler Corp., which planned to turn out about 8,500 more cars than in the preceding period. Affected more than a month by a glass shortage earlier this year, Chrysler was in the midst of building up its assembly programs.

"Ward's" said that in the week of March 2, Chrysler Corp. expects to have all of its assembly plants active five days for the first time since the week ended Jan. 17. In addition, all shifts will perform nine hours daily. In week ended Feb. 27, Plymouth's Los Angeles, Evansville and Newark, Delaware, factories were limited to three days.

Elsewhere, "Ward's" reported, six-day automobile assembly work was being turned in at 10 industry sites: six Ford Division plants: Lincoln at Wixom, Mich.; American Motors at Kenosha, Wis.; Studebaker-Packard at South Bend; and Buick-Oldsmobile-Pontiac at Arlington, Texas. Running only four days was a Chevrolet plant at Baltimore.

"Ward's" said that Ford Division encountered a labor snag at its Mahwah, N. J., assembly plant. An unauthorized walkout halted production on the second shift Feb. 25 and operations remained at a standstill Feb. 26.

Truck output for week ended Feb. 27 was estimated by "Ward's" at 24,832 units, 2% off last week's total of 25,443, the high point for 1959 to date.

Electric Output Dips Below That of Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 28, was estimated at 12,972,000,000 kwh., according to the Edison Electric Institute. Output the past week was below the level of the preceding week.

For the week ended Feb. 28, output decreased by 287,000,000 kwh. below that of the previous week, but showed a gain of 1,169,000,000 kwh. above that of the comparable 1958 week.

Car Loadings 17.8% Above Poor 1958 Week

Loading of revenue freight for the week ended Feb. 21, 1959 totaled 583,181 cars, the Association of American Railroads announced Feb. 27. This was an increase of 88,262 cars or 17.8% above the corresponding week in 1958, which included a holiday and blizzard conditions in the eastern part of the country. Loadings were 43,449 cars or 6.9% below the corresponding week in 1957.

Loadings in the week of Feb. 21 were 16,047 cars or 2.8% above the preceding week.

Lumber Shipments 0.6% Higher

Lumber shipments of 479 mills reporting to the National Lumber Trade Barometer were 0.6% above production for the week ended Feb. 21, 1959. In the same week new orders of these mills were 1.0% above production. Unfilled orders of reporting mills amounted to 42% of stocks. For reporting softwood mills, unfilled orders were equivalent to 21 days' production at the current rate, and gross stocks were equivalent to 45 days' production.

For the year-to-date, shipments of reporting identical mills were 0.3% below production; new orders were 4.8% above production.

For week ended Feb. 21, as compared with the previous week, production of reporting mills was 6.4% above; shipments were 7.8% above; new orders were 0.6% above. For the latest week, as against the corresponding week in 1958, production of reporting mills was 9.5% above; shipments were 15.4% above; and new orders were 22.8% above.

Business Failures Decline Slightly

Commercial and industrial failures dipped to 296 in the week ended Feb. 26 from 310 in the preceding week, reported Dun & Bradstreet, Inc. While casualties were noticeably lower than the 331 in the comparable week last year, they remained slightly above the 284 in 1957 and exceeded by 17% the prewar level of 254 in 1939.

Liabilities of $5,000 or more were involved in 261 of the week's failures as against 268 in the previous week and 299 a year ago. Although small casualties, those with liabilities under $5,000, declined to 35 from 42 last week, they edged a little above the 32 of this size a year ago. Thirty-six of the businesses failing had liabilities in excess of $100,000 as compared with 30 in the preceding week.

Retailing, down to 141 from 151, and commercial service, down to 24 from 31, accounted primarily for the week-to-week decline. The total among wholesalers dipped to 32 from 33, but manufacturing casualties edged up to 57 from 54 a week earlier. Fewer concerns succumbed than last year in manufacturing and retailing. However, tolls were heavier than in 1958 in all other industry and trade groups.

Seven of the nine major geographic regions reported lower failures during the week. Middle Atlantic casualties dipped to 102 from 107, South Atlantic to 25 from 33, while sharper drops occurred in the New England and South Central States. Contrasting with the general downturn, failures in the East North Central Region climbed to 62 from 46, and in the Pacific to 75 from 67. In two-thirds of the regions, mortality fell below 1958 levels; the only increases appeared in the East North Central and Pacific States.

Wholesale Food Price Index Continues Downtrend

For the fifth week in a row the wholesale food price index, compiled by Dun & Bradstreet, Inc., declined on Feb. 24, and hit the lowest level since Oct. 22, 1957. It stood at $6.14, compared with $6.16 in the prior week for a decline of 0.3%. There was a decrease of 7.0% from the $6.60 of the comparable date a year ago.

Commodities quoted higher during the latest week were flour, rye, cocoa, and eggs. Lower in price were barley, beef, hams, bellies, lard, sugar, coffee, cottonseed oil, steers, and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index at 1959 High

Boosted by higher prices on most grains, livestock, rubber, and tin, the general commodity price level moved up moderately this week. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., stood at 277.22 on March 2, compared with 275.73 in the prior week and 280.92 on the comparable date last year. The current level is the highest so far this year. The previous high of 277.18 occurred on Feb. 11.

A Department of Agriculture report showing higher than expected estimates of grains and soybeans placed under Government loan in the price support program stimulated grain trading this week, and prices moved up noticeably. The most noticeable price increases were on wheat as wholesalers expected stocks to be limited in the coming months.

There was a moderate pick-up in corn trading and prices climbed appreciably. Reflecting light receipts, rye prices advanced and transactions were sustained at high levels. Purchases of soybeans expanded considerably at the end of the week and prices finished noticeably higher than in the prior week. Soybean offerings were light again and there was more strength in the meal and oil markets.

Domestic buying of flour lagged this week, but prices were unchanged from a week earlier. Exporters reported some scattered inquiries for flour from the Middle East and Vietnam. Domestic purchases of rice were sustained at high levels and prices were steady. Export inquiries for rice moved up and a sizable commitment to Indonesia is expected in the coming week.

Coffee trading slackened noticeably towards the end of the week, and prices were down noticeably. Although cocoa trading was sluggish at the beginning of the week, it picked up at end of the period; prices were slightly higher than in the prior week. There was little change in sugar trading and prices were steady.

Reflecting a decline in receipts in Chicago, hog prices rose appreciably during the week; hog trading matched that of the prior week. There was a moderate rise in prices on steers and transactions were steady; cattle receipts were down moderately. Sheep receipts were down noticeably and prices edged up.

Cotton prices on the New York Cotton Exchange were close to the prior week, and trading was steady. United States exports of cotton for the week ended last Tuesday were estimated at 71,000 bales, compared with 86,000 in the prior week and 131,000 in the comparable week a year ago. For the current season through last Tuesday, exports came to about 1,817,000 bales, as against 3,252,000 during the comparable period last season.

Retailing Up Noticeably Over Last Year

A marked rise in consumer buying of Spring apparel, furniture, and housewares boosted total retail trade noticeably over the similar 1958 week, when bad weather discouraged shoppers. In addition, more stores were open this year on the Washington's Birthday holiday. Sales of new passenger cars moved up again this week and substantial year-to-year gains were maintained, according to scattered reports.

The total dollar volume of retail trade in the week ended February 25 was 4 to 8% 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: Middle Atlantic +6 to +10; East North Central and South Atlantic +4 to +8; Pacific Coast and West North Central +3 to +7; West South Central +2 to +6; New England, East South Central, and Mountain 0 to +4.

There was an upsurge in purchases of women's Spring coats, suits, and dresses this week, and moderate gains occurred in fashion accessories and millinery. Continued clearance sales promotions helped volume in women's Winter coats match that of both the prior week and a year ago. Interest in men's Spring suits and sportswear moved up helping over-all sales of men's apparel slightly exceed year earlier levels. While volume in men's Winter suits was steady, purchases of furnishings slipped somewhat.

Nationwide Department Store Sales Up 24%

Department store sales on a country-wide basis as taken from week, for Feb. 14, an increase of 8% was recorded. In the preceding the Federal Reserve Board's Index for the week ended Feb. 21, advanced 24% above the like period last year. In the preceding week, for Feb. 14, an increase of 8% was recorded. For the four weeks ended Feb. 21 a gain of 12% was registered.

According to the Federal Reserve System department store sales in New York City for the week ended Feb. 21 showed a 45% increase from that of the like period last year. In the preceding week, Feb. 14, an increase of 1% was reported. For the four weeks ended Feb. 21 an increase of 11% was noted over the volume in the corresponding period in 1958.

Editor's Note—Comparisons for the current week of Feb. 21 with the week ended Feb. 22, 1958, are not comparable for the reason that data for the latter week reflected closing of many stores in observance of Washington's Birthday. The incidence of the holiday this year will be reflected, if at all, in the data for the week ended Feb. 28.

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Is Business or Labor Responsible for Low Output and Inflation

of business organizations well equipped with skilled labor and with high potential productivity of all other elements excepting management. Where this is the case, flaws in leadership eventually bring deterioration of productivity and failure of the organization as a whole. There can be no argument about the importance of strong and vigorous leadership.

One important opportunity for maintaining vigor of managements lies in the establishment, through co-operation with labor unions, of a reasonable line of demarcation between managerial personnel and those subject to labor agreements. At least through the use of hindsight, managements everywhere have come to recognize the undesirability of company-dominated unions for workers. Such organizations were never able to speak clearly and positively to obtain fair definitions of aspirations of labor and fair responses to such aspirations. By the same token, domination of management by labor unions is equally dangerous and would ultimately lead to deterioration of productivity. It would kill off the sources from which higher wages can come. Thus, efforts of some labor unions toward extension of the scope of their jurisdiction into management areas must be resisted.

However, by far, the greatest opportunity of securing high productivity of management is through measures which will aim at keeping its membership vigorous, competent and alert to the changing factors of our business environment. This calls for establishment of high standards in recruiting potential managerial brainpower and development of the versatility of line and staff managers as they move upward. Development of such men calls for an organization climate in which free thought and free expression can prosper. It must have sufficient flexibility and tolerance to permit non-conformists to live and work with conformists. However, this also calls for the weeding out of managers who are not able to come up to the established standards.

The job of management is to explore continuously all channels of productivity creating increased wealth and see to it that it is shared on a proper basis between customers, labor and owners of capital investment. In this role, management must remain objective and strong. We may well ask: do the managements of our companies meet the tests suggested here?

Much of the initial appeal of Communism rests on one economic principle preached by Karl Marx, "from each according to his abilities, to each according to his needs." Russian Communists themselves abandoned this principle a long time ago and they are now openly denouncing it. They have adopted the so-called capitalistic system of paying more to those who produce more! Meanwhile, our preoccupations with the problems of conflict between management and labor have resulted in our moving closer to the Utopian idea of Karl Marx. This is why we see around us excessive pressures for more pay, for shorter hours and for less actual work during those shorter hours. These pressures ignore the fact that labor cannot become more productive without the support of capital and other factors of productivity.

Men and women of America,

labor and investors are right in demanding from us better results and still higher standards of living. These objectives will not be attained unless we reverse the directions in which we have been moving. Will we, the managers of industry and leaders of labor, have the collective wisdom to turn around? Will we have the wisdom of finding a way to open up the floodgates of unprecedented prosperity to all?

Two With W. G. Nielsen

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif. — Robert J. Boyd and Holcomb G. Moss are now with W. G. Nielson Co., 362 East Olive Avenue. Mr. Boyd was formerly with Halbert, Hargrove & Co.

Atlas Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harold P. Custer has been added to the staff of Atlas Securities Inc., 6505 Wilshire Boulevard.

Joins Morfeld, Moss

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William J. McCormack has joined the staff of Morfeld, Moss & Hartnett, 721 Olive Street, members of the Midwest Stock Exchange.

Now With Merrill Lynch In Omaha Office

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—William R. Lilliott is now associated with the Omaha office of Merrill Lynch, Pierce, Fenner & Smith Incorporated, 305 South 17th Street. He was former Manager of the Macon, Georgia office and prior thereto was with the firm in Cleveland and Florida.

Smith, Polian Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Ira L. Couch, Jr. has been added to the staff of Smith, Polian & Co., Omaha National Bank Building.

Joins Smith, Barney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Charles L. Morgan has become connected with Smith, Barney & Co., 140 Federal Street.

Gage-Wiley Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Joseph A. Klejna has joined the staff of Gage-Wiley & Co., Inc., Third National Bank Building.

Rodman & Renshaw Branch

AURORA, Ill.—Rodman & Renshaw has opened a branch office at 52 Downer Street under the management of Harry B. La Rocca.

Form R. T. Neff & Co.

SHORT HILLS, N. J.—Robert T. Neff is engaging in a securities business from offices at 16 Joanna Way under the firm name of R. T. Neff & Co. Mr. Neff has been with F. M. Chadbourne & Co.

Form Davis Securities

Davis Securities Corporation has been formed with offices at 38 East 32nd Street, New York City to engage in a securities business.

J. W. Ramsey With Lucas, Eisen & Waeckerle

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Jerry W. Ramsey, Jr. has become associated with Lucas, Eisen & Waeckerle, Inc., 916 Walnut Street, members of the Midwest Stock Exchange. Mr. Ramsey was formerly for many years trust officer with the Union National Bank.

Continued from first page

The Business Outlook

of the 1950's is ending with a flourish.

At the same time, there is little likelihood that we are moving directly into boom conditions. Rather, it would seem now that the problem of the next boom will be held over into the 1960's. Insofar as activity for the balance of this year is concerned, legislation, especially that related to Federal expenditures, labor and housing, will be of special importance.

Thus far, recovery in business activity has taken place without much help from the automobile industry. However, January sales of cars have been some 428,000, or 12% over January of 1958, and sales for the year to date are estimated to have been some 13% better than a year earlier. At the same time, the reception of the new-model automobiles has not been sufficiently impressive to suggest spectacular improvement in sales this year.

Small cars have been gaining in popularity over larger cars, and it is taken for granted that the portion of the market gained by small cars this year will be larger than last year's 8 or 9%. Compared with total car sales last year of somewhere in the neighborhood of 4½ million, it would appear that this year's sales might be between 5 and 5½ million.

The rate of expansion in plant and equipment in this country moved lower during the business decline of the past 18 months. However, the trend is now upward, with equipment moving faster than plant. The latter development is logical at this stage in the business advance. More rapid improvement in expenditures for plant should soon be in evidence. Total expenditures for plant and equipment during the year 1959 will come close to the total for 1958. At the end of the current year, the trend should be upward at a good rate, with prospects for a 1960 total well in advance of the current year.

It must be kept in mind that an important retarding influence on the expansion of plant and equipment is the fact that depreciation allowances in our present tax laws have not been adequate in view of the price advance in recent years. Allowance for replacement of equipment 20 years old is only a fraction of present costs.

The over-all total of construction of all kinds has shown continuous expansion in recent years. New highs are being established regularly, and it would seem that this current trend will continue due to new outlays for highways, airports, municipal buildings, etc.

Following the decline of 1958, inventories have taken the upward turn and are now moving higher. The prospect of labor trouble in the steel industry at mid-year has encouraged the accumulation of steel in excess of the increase in demand which would be expected during this period of the business cycle. Fear of shortages has been a part of it, but there is also fear of higher prices. Spurred by this development, the output of steel at the moment is nearing the peak level of 1956.

Retail sales showed only very moderate decline in 1958, and renewed strength of consumer buying is now being shown. At the same time, there is no great "rush" to buy. The January figures were slightly below those of December, after seasonal adjustment is made; however, sales currently are near the all-time high when seasonal variations are taken into account. Sales of durable goods are reported to have made a new high record in January. There is definite prospect that we shall have a new high level in retail sales in 1959.

Consumer credit in December was at a new high level above $45 billion. A substantial part of the increase for the month was in automobiles purchased. Further increases during 1959 are dependent, in large degree, on sales of cars, appliances and other household equipment. An advance of $3 billion of consumer credit this year would seem to be within the realm of possibiilty.

Consumer incomes continue an upward course. Wages and salaries in December were at a new high point; however, the increase is the total in December dropped slightly, due largely to smaller dividend payments. The wage and salary trend is due to continue an upward course this year at a rate similar to that of the past few years. The rise in disposable income will, of course, provide impetus for the advance in retail sales.

Price changes generally have been small in recent months. However, it would seem that with a steady increase in wage rates, the basis is being laid for further price increases which will come later on. The price increases of 1959 will largely come during the latter half of the year.

Residential building has been at boom levels in recent months, with the December figure at 1.4 million units started and January only moderately lower. These high levels of housing construction are closely related to the movement toward easier credit in this field which came some months earlier. These developments included the reduction of FHA and VA downpayments in August of 1957 and in April of 1958, respectively. Also, there was the billion dollar increase in commitments to purchase on the part of the FNMA from April to September of 1958. Further, there was the attraction of more funds into the market by an increase in the VA interest rate in April of 1958, and the renewal of FHA and VA discount controls in the same month.

In view of the fact that FHA applications and VA appraisal requests fell off sharply in the last quarter of 1958, a lower level of housing starts may be expected in coming months. Housing construction late in the year might decline to an annual rate of about one million units, unless more money becomes available through more attractive rates, or government aid to housing, beyond that outlined in the President's budget estimates, is provided by Congress.

The Position of the Federal Treasury

Our second area of special interest is the position of the Federal Treasury. Federal expenditures have moved upward and are now at a new high since the Second World War. Treasury income has not kept pace. Secretary Anderson's latest estimate for the deficit for this fiscal year is $12.9 billion. The President's preliminary estimate is for a surplus of $100 million for the following fiscal year.

However, it must be recognized that such an estimate for a balanced budget next year takes much for granted. The first is that Congress will comply with President Eisenhower's request to effect various changes in tax laws. Among these are (1) the extension of the 52% corporate profits tax rate beyond June 30, 1959, when it is due to expire; (2) the increase in tax income to the Treasury by taxing life insurance companies on underwriting income; (3) the tightening up of tax levies on cooperatives; (4) the placing of higher taxes on gasoline and (5) the making of a new levy on jet fuels. It is yet too early to know whether or not these changes will be made. In the second place, it was assumed that spending would be held within the bounds outlined by the President. However, possible step-ups in spending for highways, education, housing, etc., above the President's budget estimate are already looming up in Congress.

Since 1959 is likely to be the most prosperous year in our history, it would seem to be an appropriate time for Federal expenditures to be reduced and debt pared down. Budget Director Morris Stans has put it this way: "If we cannot live within our means at a time like this, then I think it is doubtful whether the government ever can."

The government debt continues to rise. With the permanent debt ceiling now $283 billion, and the temporary debt ceiling $288 billion (up to June 30, 1959), it seems certain that the Treasury will have to ask for an extension of the temporary ceiling, since the debt at mid-year will probably be in the neighborhood of $285 billion.

New money needs of the Treasury to the end of December of this year will be in the neighborhood of $6 billion. It is difficult to determine, now, how much attrition there will be on refundings which are scheduled for the balance of the year. In any case, the Treasury is likely to be in the market for new money again in July, September and December. Should the Treasury limit its borrowing to the short-term area, this demand for short-term money, along with non-government borrowing, would suggest higher short-term rates.

On the other hand, the cost of long-term treasury borrowing is now higher than it has been for many years. This latter development is important for many reasons. (1) Current yields on government bonds are nearly the 4¼% ceiling as established by the Second Liberty Loan Act; (2) high as the yield on government securities is at the moment, the investor can get a better return in other bond investments, including municipals and high-grade industrials; (3) outside-the-budget spending by Congress, should it occur, will thus present the Treasury with more than the usual problems; and (4) doubts on the part of the public relative to the future value of the dollar tend to make long-term Treasury issues still less attractive.

Thus, the Treasury confronts problems more difficult than those of recent years.

The Position of Commercial Banks

Under these circumstances, the position of commercial banks at the moment is a very important part of the picture. In the first place, it is to be observed that the amount of government securities held by the commercial banking system increased during the past year, the year-end figure being $8 billion above that of a year earlier.

In the second place, commercial bank loans reached a new high point at year-end, more than $2 billion above the level of a year earlier. Thus far this year, increased loan demand has failed to appear and loans have declined moderately. This is in part due to the usual seasonal movement and in part to the fact that corporate profits have been better and cash requirements for inventory building have not yet been large. In fact, some corporations have been able to pay off bank loans and to buy government securities for temporary holding. No substantial increase in commercial loans is expected during this quarter, but there is a definite prospect of expansion later in the year due to requirements for inventory accumulation, the financing of receivables, consumer credit requirements, etc. Furthermore, banks are not unaware of the possibility of having to sell government securities later in the year in order to meet demand for loans. And, in addition, the current liquidity position of banks suggests that they may be less aggressive in lending policies than they would be otherwise.

The reserve position of banks makes it clear that the Federal Reserve authorities are keeping considerable tautness in the money market. The reserve policy designed by our authorities has to take account of a multitude of economic developments and, also, it has to reflect something of a synthesis of objectives. Under these circumstances, it cannot be as tight as some expansive conditions might seem to justify, nor can it be as easy as some "worthy" objectives might seem to require. Thus, credit policy near to the present status may be followed in the months ahead.

So it is that the outlook for the latter part of the year is one of increasing demands for bank credit from the government and from business, while the commercial bank reserve position and the liquidity position are not overly free to expand.

Thus, three observations may be made relative to the outlook for money rates. **First,** with business improving at a satisfactory rate, Federal Reserve policy could hardly be expected to shift to the side of ease; **second,** the current supply-demand situation suggests higher rates for money; and **third,** interest rate behavior in recent months suggests that there is more effort on the part of the business community to anticipate changes in Federal Reserve policy and to move with, or even ahead of it. This tends to make changes in rates more drastic than they would be otherwise.

Two With Richard Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Ellis J. Andreatta and Gary Morano are now connected with Richard A. Harrison, Inc., 2200 Sixteenth Street.

With Eaton & Howard

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Dwight P. Phillips has become affiliated with Eaton & Howard, Incorporated, 210 West Seventh Street. He was formerly with Dean Witter & Co.

With Bateman, Eichler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Floyd O. Mason has become associated with Bateman, Eichler & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange. For many years he was with Halbert, Hargrove & Co.

With Evans MacCormack

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Bryan B. Odom has become associated with Evans MacCormack & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Odom was formerly with Kerr & Bell.

Join Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Milton M. Cushner and Paul Graham have become affiliated with Samuel B. Franklin & Company, 215 West Seventh Street.

With Glore, Evans & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Leo L. Kahn is now connected with Glore, Evans & Co., 1722 Westwood Boulevard. He was formerly with Dempsey-Tegeler & Co.

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.

★ **Alaska Mines & Metals Inc.**
Feb. 25 filed 1,431,200 shares of common stock (par $1), of which 1,000,000 shares are to be offered publicly and 431,200 shares are to be reserved for sale to the holders of 6% debentures due 1962 issued by DeCoursey-Brewis Minerals Ltd., the company's parent (payment for the shares by such debenture holders may be made by delivery of debentures at par plus interest with premium for Canadian exchange rate). Purchasers will receive common stock purchase warrants on all shares purchased for cash or for the 6% debentures of the parent at the rate of one for each five shares purchased. **Price**—$1.25 per share. **Proceeds**—For general corporate purposes and working capital. **Office**—423 Fourth Ave., Anchorage, Alaska. **Underwriter**—To be named by amendment.

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. (3/17)**
Feb. 18 filed 280,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital for expansion purposes. **Office**—Pensacola, Fla. **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. **Underwriters**—White, Weld & Co. and Drexel & Co. (jointly).

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.

★ **Amphenol-Borg Electronics Corp. (3/23-27)**
March 3 filed 100,000 outstanding shares of common stock. **Price**—Related to the current market price on the New York Stock Exchange at time of offering. **Proceeds**—To selling stockholder. **Office**—1830 South 54th Ave., Chicago, Ill. **Underwriter**—Hornblower & Weeks, New York.

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-Lenchner, 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.

★ **Automatic Canteen Co. of America**
March 2 filed 292,426 shares of common stock, of which, the company proposes to issue 126,072 shares to A.M.I. Inc. for the latter's property and assets, and the remaining 166,354 shares are to be issued upon the exercise of stock options. **Underwriter**—None.

★ **Avco Manufacturing Corp.**
March 4 filed 587,281 shares of common stock, of which 226,916 shares were issued by the company between Jan. 1, 1959 and Feb. 28, 1959 to optionees upon the exercise of options under the Avco stock plan, 206,920 shares are reserved for issuance upon the exercise of outstanding options granted under said plan and 153,445 shares are reserved for issuance pursuant to options not yet granted under the plan.

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.

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.

Bridgehampton Road Races Corp.
Oct. 23 (letter of notification) 15,000 shares of common stock (par $1) to be offered for subscription by stockholders of record Nov. 1, 1958 on the basis of one new share for each four shares held; unsubscribed shares will be offered to current creditors in payment of all or part of claims, at the rate of one share for each $4 of claims discharged; rights to expire about two weeks after mailing of offer. **Price**—$4 per share. **Proceeds**—To pay current creditors. **Address** — P. O. Box-506, Bridgehampton, L. I., N. Y. **Underwriter** — None. **Offering**—Has been delayed.

Brookridge Development Corp.
Dec. 19 (letter of notification) $200,000 of 6% 15-year convertible debentures. **Price**—At par ($500 per unit). **Proceeds**—For expansion and working capital. **Office**—901 Seneca Ave., Brooklyn 27, N. Y. **Underwriter** — Sano & Co., 15 William St., New York, N. Y.

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.

★ **California Electric Power Co. (3/31)**
Feb. 27 filed 300,000 shares of common stock (par $1). **Proceeds** — To reduce bank loans. **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.

★ **California Financial Corp., San Jose, Calif.**
Feb. 27 filed 100,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

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. 23 filed 816,721 shares of common stock (par $1) being offered in exchange for common and preferred stock of United Stockyards Corp. at rate of 1⅝ Canal-Randolph shares for each United Stockyards share held. In lieu of stock, a cash offer of $15 per United Stockyards share was also made. Both offers expire on March 19. **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 at a price of $9.25 per share.

● **Carraco Oil Co., Ada., Okla. (3/9)**
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.

★ **Cerro de Pasco Corp.**
March 4 filed $8,000,000 of 5½% subordinated debentures due 1979 (convertible until Dec. 31, 1968) and 61,522 shares of common stock to be issued to stockholders

of Consolidated Coppermines Corp., which is to be dissolved and liquidated. **Underwriter**—None.

★ Chicago Aerial Industries, Inc. (3/24)
Feb. 27 filed 160,000 shares of common stock (par $2), of which 80,000 shares are to be offered for the account of certain stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—1980 North Hawthorne Ave., Melrose Park, Ill. **Underwriter**—Blyth & Co., Inc., New York.

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.

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.

★ Colorado Water & Power Co.
Feb. 25 (letter of notification) $220,000 of 6% unsecured debentures due April 1, 1964 and 1,100 shares of common stock (par $1) to be offered in units of $200 of debentures and one share of stock. **Price** — $205 per unit. **Proceeds**—For working capital. **Office**—Suite 421, 901 Sherman St., Denver, Colo. **Underwriter**—None.

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.

★ Composite Bond & Stock Fund, Inc.
Feb. 26 filed (by amendment) an additional 226,839 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Office**—Spokane, Wash.

★ Consolidation Coal Co.
March 3 filed $3,000,000 of participations in the company's investment plan for salaried employees, together with 100,000 common shares which may be required pursuant thereto.

★ Consumer Acceptance Corp. (3/16-20)
Feb. 25 (letter of notification) 54,000 shares of 30-cent cumulative convertible preferred stock (par $1) **Price**—$5 per share. **Proceeds**—For operation of a small loan business. **Office**—904 Hospital Trust Bldg., Providence, R. I. **Underwriter**—McLaughlin, Kaufman & Co., New York, N. Y.

Cormac Chemical Corp.
Jan. 22 filed 108,667 units of 108,667 shares of common stock (par one cent) and 108,667 common stock purchase warrants, each unit consisting of one common share and one warrant, to be offered for subscription by holders of the common stock of Cormac Photocopy Corp. at the rate of one such unit for every six shares of Cormac Photography common held. **Price**—$2 per unit. **Proceeds**—To finance the company's development and marketing program. **Office**—80 Fifth Avenue, New York, N. Y. **Underwriter**—Ross, Lyon & Co. Inc., New York.

Cryogenic Engineering Co.
Sept. 22 (letter of notification) 150,000 shares of class A common stock (par 10 cents). Price—$2 per share. Proceeds — For repayment of loan; purchase of plant and office equipment; raw materials and supplies; and for working capital, etc. Office—U. W. National Bank Bldg., 1740 Broadway, Denver, Colo. Underwriter—L. A. Huey, Denver, Colo.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. Price—$1 per share. Proceeds—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. Office—Toronto, Canada, and Emporium, Pa. Underwriter—None.

Diversified 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.

Drug Fair-Community Drug Co., Inc. (3/9-16)
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
Jan. 30 filed 96,765 shares of common stock (par $10) being 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. Price—$38.25 per share. Proceeds — To reduce bank loans. Underwriter—Stone & Webster Securities Corp.

● Electronic Assistance Corp. (3/10-12)
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 be-

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NEW ISSUE CALENDAR

March 6 (Friday)

Pioneer Hydrotex Industries, Inc.------Debentures
(Cruttenden, Podesta & Co. and Schneider, Bernet & Hickman) $300,000

March 9 (Monday)

Carraco Oil Co.------Common
(Berry & Co.) $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 10 (Tuesday)

Ducommun Metals & Supply Co.------Common
(Blyth & Co., Inc.) 150,000 shares

Electronic Assistance Corp.------Common
(Amos Treat & Co., Inc. and Bruno-Lenchner, Inc.) $300,000

Itek Corporation------Common
(Offering to stockholders—underwritten by Paine, Webber, Jackson & Curtis) 164,842 shares

Northern Indiana Public Service Co.------Bonds
Bids 10:30 a.m. (CST) $25,000,000

Research Specialties Co.------Common
(Myron A. Lomasney & Co.) $300,000

Standard Security Life Insurance Co. of N. Y.--Com.
(Ira Haupt & Co. and Savard & Hart) $1,500,000

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 12 (Thursday)

Simplex Wire & Cable Co.------Common
(Paine, Webber, Jackson & Curtis) 203,250 shares

Western Casualty & Surety Co.------Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co. and Prescott, Wright, Snider Co.) 100,000 shares

March 13 (Friday)

Investors Research Fund, Inc.------Common
(Bache & Co.) $5,891,280

Standard Sign & Signal Co.------Common
(Sano & Co.) $300,000

March 16 (Monday)

Consumer Acceptance Corp.------Preferred
(McLaughlin, Kaufman & Co.) $270,000

Venture Options, Inc.------Common
(Barsh & Co.) $300,000

White Stag Manufacturing Co.------Common
(Francis I. du Pont & Co.) 127,500 shares

March 17 (Tuesday)

American Fidelity Life Insurance Co.------Common
(Alex. Brown & Sons, and R. S. Dickson & Co., Inc.) 280,000 shares

Foster-Forbes Glass Co.------Common
(Raffensperger, Hughes & Co., Inc.) 30,000 shares

General Telephone Co. of the Southwest--Preferred
(Paine, Webber, Jackson & Curtis and Mitchum, Jones & Templeton) $5,000,000

March 18 (Wednesday)

Texas Eastern Transmission Corp.------Preferred
(Dillon, Read & Co., Inc.) $15,000,000

Thorncliffe Park Ltd.------Debentures & Common
(Bache & Co.) 4,000 units

March 19 (Thursday)

Indiana Steel Products Co.------Common
(Offering to stockholders—underwritten by Kalman & Co., Inc.) 42,193 shares

March 20 (Friday)

General Builders Corp.------Debentures
(No underwriting) $2,131,000

March 23 (Monday)

Amphenol-Borg Electronics Corp.------Common
(Hornblower & Weeks) 100,000 shares

Miami Window Corp.------Debentures
(Cruttenden, Podesta & Co. and Clayton Securities Corp.) $2,500,000

Waste King Corp.------Preferred
(Straus, Blosser & McDowell) $1,750,000

March 24 (Tuesday)

Chicago Aerial Industries, Inc.------Common
(Blyth & Co., Inc.) 160,000 shares

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

Food Fair Stores, Inc.------Debentures
(Offering to stockholders—underwritten by Eastman Dillon, Union Securities & Co.) $21,750,000

F X R, Inc.------Common
(C. E. Unterberg, Towbin Co.) 200,000 shares

Great Atlantic & Pacific Tea Co., Inc.------Common
(Smith, Barney & Co., Morgan Stanley & Co., Kuhn, Loeb & Co. and Carl M. Loeb Rhoades & Co.) 1,800,000 shares

Ohio Edison Co.------Bonds
(Bids to be invited) $30,000,000

March 30 (Monday)

Gold Seal Products Corp.------Preferred
(S. D. Fuller & Co.) $1,250,000

Ohio Power Co.------Bonds
(Bids 11 a.m. EST) $25,000,000

United States Servateria Corp.------Common
(Van Alstyne, Noel & Co.) 275,000 shares

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)

AMP, Inc.------Common
(Kidder, Peabody & Co. and Blyth & Co., Inc.) 120,000 shares

Columbia Gas System, Inc.------Common
(Offering to stockholders—bids 11 a.m. EST) 1,799,057 shares

Lock Joint Pipe Co.------Common
(Kidder, Peabody & Co.) 166,716 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 21 (Tuesday)

Diamond State Telephone Co.------Debentures
(Bids to be invited) $5,000,000

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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ing 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.

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.

★ Eurofund, Inc.
Feb. 26 filed 2,500,000 shares of common stock (par $1). **Price**—$20 per share. **Proceeds**—For investment. **Office**—14 Wall St., New York. **Underwriter**—Glore, Forgan & Co., New York. **Offering**—Expected during the latter part of March.

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.

Federated Corp. of Delaware
Dec. 29 filed $918,000 of 6% convertible subordinated debentures due 1968. The company proposes to offer $210,000 of the debentures to purchase the capital stock of Consumers Time Credit, Inc., a New York company; $442,000 of the debentures in exchange for Consumers debentures; and $226,000 of the debentures in exchange for the outstanding 12% debentures of three subsidiaries of Federated. **Office**—1 South Main Street, Port Chester, N. Y. **Underwriter**—None.

Federated Finance Co.
Nov. 17 (letter of notification) $300,000 of 10-year 6% senior subordinated debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For working capital, to make loans, etc. **Office**—2104 "O" St., Lincoln, Neb. **Underwriters** — J. Cliff Rahel & Co. and Eugene C. Dinsmore, Omaha, Neb.

Finance For Industry, Inc.
Dec. 16 filed 200,000 shares of class A common stock. **Price**—At par ($1.50 per share). **Proceeds**—For working capital. **Office**—508 Ainsley Bldg., Miami, Fla. **Underwriter** — R. F. Campeau Co., Penobscot Bldg., Detroit, Mich.

First 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.

● Fluorspar Corp. of America
Feb. 5 (letter of notification—as amended) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—4334 S. E. 74th Ave., Portland 6, Ore. **Underwriter**—Evergreen Securities, Inc., 4314 N. E. 96th Ave., Portland, Ore.

★ Food Fair Stores, Inc. (3/25)
Feb. 27 filed $21,750,000 of 20-year convertible subordinated debentures due 1979 to be offered initially for subscription by common stockholders of record March 24, 1959, on the basis of $100 principal amount of debentures for each 25 shares of common stock held; rights to expire on April 10, 1959. **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes, including additional working capital and future capital expenditures. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

★ Forestry Suppliers, Inc., Jackson, Miss.
Feb. 20 (letter of notification) 1,000 shares of common stock (par $10) and $30,000 of 10-year 6% convertible subordinated debentures (convertible into common stock after Feb. 29, 1964 at rate of four shares for each $100 of debentures). **Price**—Of stock, $20 per share; and of debentures, at face amount. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—None.

● Foster-Forbes Glass Co., Marion, Ind. (3/17)
Feb. 25 filed 30,000 shares of common stock (par $1.50). **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.

★ F X R, Inc., New York (3/25-26)
March 3 filed 200,000 shares of common stock (par $1), of which 100,000 shares are to be sold for the account of selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—To redeem at par $127,500 of 6% debenture bonds due July 2, 1972, which are owned in equal shares by the selling stockholders, and to repay $250,000 of short-term notes payable to Manufacturers Trust Co. **Underwriter**—C. E. Unterberg, Towbin Co., New York.

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 Builders Corp., New York (3/20)
Feb. 26 filed $2,131,000 of 6% subordinated debentures, due April 30, 1963, with detachable warrants to purchase 213,100 shares of common stock (each $100 debenture will be accompanied by a warrant for the purchase for cash of 10 common shares at $3 per share at any time beginning Oct. 30, 1959 to and including April 30, 1969). The company proposes to offer holders of its outstanding common stock and its outstanding cumulative preferred stock of record March 20, 1959, the right to subscribe to a total of $1,631,000 of the debentures with warrants. The remaining $500,000 of debentures with warrants are to be sold to a group of purchasers (who are also stockholders of the company) who have agreed also to purchase certain additional amounts of debentures with warrants if subscription rights are not exercised in at least the amount of $500,000. **Price**—$100 per unit. **Proceeds**—To repay promissory notes, and the balance, if any, will be added to working capital, to be used in part to reimburse the company's treasury for payments made upon the acquisition of land and as working capital for such building projects as the company may undertake. **Office**—2413 Third Ave., New York, N. Y. **Underwriter**—None.

General Merchandising Corp., Memphis, Tenn.
Feb. 16 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 (3/17)
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.
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. **Offering**—Expected this week.

★ Gold Seal Products Corp. (3/30-4/3)
March 2 filed 125,000 shares of 6½% cumulative convertible preferred stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To be applied towards the balance due on a mortgage held by A. J. Armstrong Co., Inc.; to the prepayment of certain indebtedness secured by accounts receivable; in prepayment of two promissory notes; and the balance for working capital. **Underwriter**—S. D. Fuller & Co., New York.

Government Employees Variable Annuity Life Insurance Co.
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company viz: (1) to holders of common stock (par $4) of Government Employees Insurance Co., on the basis of one warrant per share of stock held (1,334,570 shares are now outstanding); (2) to holders of common stock (par $1.50) of Government Employees Life Insurance Co., on the basis of 1½ warrants per share of stock held (216,429 shares are now outstanding); and (3) to holders of common stock (par $5) of Government Employees Corp., on the basis of ½ warrant per share of stock held (as of Dec. 31, 1958 there were 143,703 shares of stock outstanding and $589,640 of 5% convertible capital debentures due 1967, convertible into shares of common at $28.0374 per share. If all these debentures were converted into common stock prior to the record date, a total of 164,733 common shares would be outstanding. **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.

★ Great Atlantic & Pacific Tea Co., Inc. (3/25)
March 4 filed 1,800,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters** — Smith, Barney & Co., Morgan Stanley & Co., Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co., all of New York.

★ Great Lakes Natural Gas Co., Inc.
Feb. 12 (letter of notification) 150,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For drilling wells and working capital. **Office**—632 W. 9th St., Erie, Pa. **Underwriter**—John G. Cravin & Co., New York.

● Greenridge 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.

Gridoil Freehold Leases Ltd.
Feb. 5 filed 563,600 shares of common stock to be offered in exchange for $2,818,000 of 5½% convertible sinking fund redeemable notes, series A, due July 1, 1976, on the basis of 200 shares for each $1,000 note. **Office**—330 Ninth Avenue, West, Calgary, Canada.

Growth Fund of America, Inc.
Feb. 4 filed 250,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For investment. **Office** — 1325 Connecticut Avenue, Washington, D. C. **Investment Advisor** — Investment Advisory Service, Washington, D. C. **Underwriter**—Investment Management Associates, Inc., Washington, D. C.

Heartland Development Corp.
Oct. 23 (letter of notification) 22,820 shares of nonvoting 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.

★ Hercules Powder Co.
Feb. 25 filed $5,000,000 of interests or participations in the company's Employee Savings Plan, together with 40,000 shares of common capital stock which may be purchased pursuant to the plan.

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. 27, 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.

★ Imperial Growth Fund, Inc.
March 2 filed 600,000 shares of common stock. **Price**—At market. **Proceeds** — For investment. **Office** — 60 Marquette Ave., Minneapolis, Minn. **Underwriter** — Minneapolis Associates, Inc., Minneapolis, Minn.

★ Indiana Steel Products Co. (3/19)
Feb. 26 filed 42,193 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one share for each seven shares held on or about March 18, 1959; rights to expire on or about April 2. **Price**—To be supplied by amendment. **Proceeds**—For construction, machinery and equipment, and to provide additional funds for working capital and other corporate purposes. **Office**—405 Elm St., Valparaiso, Ind. **Underwriter**—Kalman & Co., Inc., St. Paul, Minn.

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.

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 Funding Corp. of New York
Feb. 17 filed $500,000 of 10% subordinated debentures due July 31, 1964, to be offered in units of $1,000. **Price**—At 100% of principal amount. **Proceeds**—For investment. **Office**—511 Fifth Ave., New York, N. Y. **Underwriter**—None.

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.

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.

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.

★ Lock Joint Pipe Co. (4/1)
March 3 filed 166,716 shares of common stock (par 33⅓ cents), of which, 136,716 shares are to be sold for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Kidder, Peabody & Co., New York.

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.

★ Louisiana Power & Light Co. (4/14)
March 3 filed 75,000 shares of cumulative preferred stock (par $100). **Proceeds**—For property improvements and other corporate purposes. **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.

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.

★ Lumberman's Acceptance Co.
Feb. 19 (letter of notification) 1,000 shares of cumulative convertible preferred stock, series A. **Price**—At par ($100 per share). **Proceeds** — To purchase conditional sales contracts and make loans. **Office**—1022 Mendocino Ave., Santa Rosa, Calif. **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.

★ Major Finance Corp.
Feb. 13 (letter of notification) $200,000 of 6% 8-year subordinated debentures (with transferable warrants); $50,000 of 4% 8-year subordinated debentures (with transferable warrants); and 2,500 shares of class A common stock (par $10). **Price** — Of debentures, at face amount (in denominations of $500 and $1,000); of stock, $12 per share. **Proceeds**—For working capital. **Office**—7833 Easter Ave., Silver Spring, Md. **Underwriter**—None.

★ Managed Funds, Inc.
Feb. 26 filed (by amendment) an additional 7,500,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—St. Louis, Mo.

● Miami Window Corp., Hialeah, Fla. (3/23)
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.

● National Finance Co., Detroit, Mich.
Jan. 27 (letter of notification) 25,000 shares of 6¼% cumulative preferred stock (with common stock purchase warrants attached) offered to stockholders on Feb. 16; rights expire on March 16, 1959. Shares not subscribed and paid for will be offered to employees and others by the company commencing March 16. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—1307 Industrial Bldg., Detroit 26, Mich. **Underwriter**—None.

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.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

★ New York Shipbuilding Corp.
March 3 filed 621,353 shares of common stock. **Price**—To be supplied by amendment. To be offered from time to time either on the New York Stock Exchange at price prevailing at time of sale or by public or private sale at related prices. **Proceeds** — To Merritt - Chapman & Scott Corp., the selling stockholder. **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.; Eastman Dillon, Union Securities & Co., Lehman Brothers and Bear, Stearns & Co. (jointly); 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 10:30 a.m. (CST) 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 Edison Co. (3/25)
Feb. 26 filed $30,000,000 of first mortgage bonds due 1989. **Proceeds**—For property additions or improvements and to repay bank loans. **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.

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, $43,333.33 of 3¼% debentures maturing on or before May 6, 1965, $692,000 of 6% debentures maturing on or before Dec. 31, 1974 and $123,000 of 7% debentures due on or before May 6, 1965. The company proposes to make a public offering of 25,000 shares of common stock at $10 per share. The remaining shares and the debentures are subject to an exchange offer between this corporation O. K. Rubber, Inc., and O. K. Ko-op Rubber Welding System, on an alternative basis. **Proceeds**—Of the public offering, will be used for additional working capital and/or to service part of the company's debt. **Office**—551 Rio Grande Ave., Littleton, Colo. **Underwriter**—None.

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.
Jan. 27 filed 207,852 shares of common stock (par $6.50) being offered 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. **Price** — $37.50 per share. **Underwriter**—Ladenburg, Thalmann & Co., New York.

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).

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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 1989. **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. SEC on Feb. 25, 1959 extended to June 16, 1959 period within which company may consummate financing.

★ **Pfizer (Chas.) & Co., Inc.**
Feb. 27 filed 500,000 shares of common stock to be offered from time to time to officers and employees of the company and its subsidiaries pursuant to the terms of stock options granted and to be granted under the company's Stock Option Plan of 1958.

● **Piedmont Natural Gas Co., Inc.**
Feb. 4 filed 57,651 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each 10 shares held on Feb. 27, 1959 (with an oversubscription privilege); rights to expire on March 16. **Price**—$27 per share. **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.

● **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. Statement effective Feb. 25.

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.

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.

★ **Research Specialties Co. (3/10)**
Feb. 19 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To repay short-term indebtedness and for general corporate purposes. **Office**—Richmond, Calif. **Underwriter**—Myron A. Lomasney & Co., New York.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1) Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter** — Pacific Securities Ltd., Vancouver, Canada.

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.

★ **Rowan Controller Co.**
Feb. 14 (letter of notification) 920 shares of common stock (par $10) to be issued upon exercise of stock purchase warrants during the period from Jan. 15, 1956 to Jan. 14, 1961. **Price**—$14 per share. **Proceeds**—For development of new products. **Business**—Manufactures and sells electrical controllers. **Office**—2313-2315 Homeland Ave., Baltimore 18, Md. **Underwriter**—None.

● **Runnymede Corp.**
Feb. 12 (letter of notification) 20,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To purchase land and for general corporate purposes. **Business**—Housing Development. **Office** — 927 Market St., Wilmington, Del. **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.

★ **Scranton-Spring Brook Water Service Co.**
March 3 filed $8,000,000 of sinking fund debentures due April 1, 1984 and common stock warrants to purchase 80,000 shares of common stock to be offered in units of $200 of debentures and warrants for the pruchase of two shares of stock for subscription by common stockholders at the rate of one unit for each 25 shares of stock held. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Allen & Co., New York.

★ **Selected American Shares, Inc., Chicago, Ill.**
March 2 filed (by amendment) an additional 1,250,000 shares of common capital stock. **Price** — At market. **Proceeds**—For investment.

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.

★ **Shareholders' Trust Fund of Boston**
March 2 filed (by amendment) an additional 1,000,000 shares of Beneficial Interest. **Price**—At market. **Proceeds**—For investment.

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

● **Simplex Wire & Cable Co. (3/12)**
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 (3/10)**
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. **Underwriter**—Ira Haupt & Co., New York.

● **Standard Sign & Signal Co. (3/13-16)**
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.

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 Co.**
Feb. 25 filed $18,500,000 of participations in the company's Employees Savings Plan, together with 238,325 shares of its capital stock which may be acquired pursuant to the plan.

★ **Texas Eastern Transmission Corp. (3/18)**
Feb. 26 filed 150,000 shares of preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Dillon, Read & Co. Inc., New York.

Texas Instruments, Inc., Dallas, Texas
Feb. 11 filed 691,851 shares of common stock (par $1) and 737,974 shares of 4% cumulative preferred stock, series 1959 (25 par—convertible on or prior to May 1, 1969), to be offered in exchange for common stock of Metals & Controls Corp. on the basis of three-quarter share of Texas common stock for each Metals & Controls common share, or, if the holder elects, for eight-tenths of a preferred share and four-tenths of a common share. **Underwriter**—None.

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.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United Security Life & Accident Insurance Co.
Aug. 22 filed 120,000 shares of class A common stock. **Price**—$3 per share. **Proceeds**—To provide the reserves required to be held in life and accident insurance policies, and to pay the necessary expenses in producing insurance. **Office**—Louisville, Ky. **Underwriter**—None. Edmond M. Smith, is President.

United States Glass & Chemical Corp.
Nov. 26 filed 708,750 outstanding shares of common stock. **Price**—At market. **Proceeds** — To selling stockholders. **Office**—Tiffin, Ohio. **Underwriter**—None.

★ **United States Servateria Corp. (3/30-4/3)**
March 3 filed 275,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—2522 South Soto St., Los Angeles, Calif. **Underwriter**—Van Alstyne, Noel & Co., New York and Los Angeles.

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. (3/16)**
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. (3/23-27)**
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. (3/12)
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 11, 1959; rights to expire on March 26. **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

★ AMP, Inc. (4/1)
March 2 it was reported that the company plans early registration of 120,000 shares of common stock. **Proceeds**—To selling stockholders **Underwriters** — Kidder, Peabody & Co. and Blyth & Co., Inc., both of New York. **Registration**—Planned for March 6.

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.

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.

★ Diamond State Telephone Co. (4/21)
Feb. 27 it was announced that this company plans to issue and sell $5,000,000 of 35-year debentures. **Proceeds**—Principally to replace borrowings for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; White, Weld & Co. **Bids**—Expected to be received on or about April 21.

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.

★ Frito Co.
Feb. 20 it was announced that directors are considering the offering and sale of a number of shares of proposed new common stock (par $2.50); such offering, if made will be made in conjunction with a proposed offering by certain major shareholders. **Price**—Related to market. **Underwriter** — Dittmar & Co., San Antonio and Dallas, Tex.

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.

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.

★ Interstate Power Co.
March 2 it was reported that the company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc.; Kidder, Peabody & Co. and Lehman Brothers (jointly). **Bids**—Expected to be received some time in May.

★ Interstate Power Co.
March 2 it was reported that the company is planning the issuance and sale of $4,000,000 preferred stock. **Underwriter**—Kidder, Peabody & Co., New York, handled last equity financing through negotiated sale. If determined by competitive bidding, probable bidders may be Merrill Lynch, Pierce, Fenner & Smith Inc., and Kidder, Peabody & Co. (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Smith, Barney & Co. **Offering**—Expected in May.

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.

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.

★ Norfolk & Western Ry.
March 2 it was reported that the company plans to receive bids sometime in April for the purchase from it of $7,350,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

North American Equitable Life Assurance Co.
Dec. 1 it was announced that the company plans an offering of 950,000 shares of capital stock. **Price** — $10 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—John M. Tait & Associates, Cincinnati, Ohio.

Northern Illinois Gas Co.
Dec. 12 it was reported that the company will sell in 1959 about $35,000,000 of new securities, including some first mortgage bonds; in addition, there is a possibility of a preferred stock issue. **Proceeds**—For capital expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Northern States Power Co. (Minn.)
Dec. 3, Allen S. King, President, announced that the company plans about the middle of 1959 to put out a common stock issue and possibly a $15,000,000 preferred stock issue if there is a satisfactory market. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders (1) For preferred stock: Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Harriman Ripley & Co., Inc. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn,

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Loeb & Co. (2) For common stock: Lehman Brothers and Riter & Co. (jointly); The First Boston Corp., Blyth & Co., Inc. and Kuhn, Loeb & Co. (jointly); White, Weld & Co. and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith.

Our River Electric Co., Luxemburg
Dec. 22 it was reported that this company plans to offer $10,000,000 of bonds. **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.

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 today (March 5). **Offering**—Expected some time in March.

● **Ryder System, Inc. (3/9-13)**
Jan. 12 it was reported that the company plans the issuance and sale of 150,000 shares of common stock (par $5). **Proceeds**—For acquisitions. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Expected any day.

Southern Electric Generating Co. (5/28)
Dec. 10 it was announced that the company plans to issue and sell $25,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Registration**—Planned for 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 (par $1), 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. **Offering**—Expected in April.

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.

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.

★ **Washington Gas Light Co.**
March 2 it was reported that the company plans to issue and sell $12,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Equitable Securities Corp. **Offering**—Expected during the second quarter of 1959.

West Penn Power Co. (5/26)
Dec. 29 it was reported the company contemplates the issue and sale of about $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on May 26.

Wisconsin Power & Light Co. (4/15)
Jan. 12 it was reported that the company contemplates the sale of $14,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Bids**—Expected to be received on April 15. **Registration**—Planned for March 9.

Worcester Gas Light Co.
Aug. 18 it was reported that the company plans the sale of $5,000,000 first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

★ **Worth Fund, Inc.**
Feb. 13 it was reported that the Fund was planning the sale of about $5,000,000 of common stock. **Underwriters**—Blair & Co. Inc. and G. H. Walker & Co., both of New York. **Offering**—Indefinitely postponed.

Our Reporter's Report

The secondary section of the investment market apparently has not yet reached the point at which prospective buyers feel inclined to turn to the corporate new issue market in force.

But there is no gainsaying the fact that, along with the Treasury market, the corporate gilt-edge list has been putting on a good show. Despite periodic relapses the corporate high grade list has been giving evidence of good underlying demand.

In a word, buyers have not been showing any disposition to "reach" for their needs. But they have been taking down good bonds when the opportunity to pick up given issues "at a price" presents itself.

To some extent this backlog of buying could reflect the growing disposition on the part of investors to shy away from the soaring stock market where yields have been sidetracked, it would appear, in search for capital gains.

At the same time it still looks as though demand which usually makes its appearance in January but which appears to have been held in abeyance this year, now is making itself felt in quiet, orderly accumulation of top-grade issues.

Moreover, there is no headlong rush of borrowing at the banks by business. Rather, if it had not been for the demand to finance building of steel inventories, such loans, in recent weeks, would have been off considerably more than was actually the case. So, while money rates are firmer than several months ago, there is no indication of any sharp markup.

Taking Their Time

Institutional buyers are biding their time in placing orders for recent new corporate bond offerings. Apparently they see no reason for rushing and, quite the reverse, appear to feel that they may encounter opportunities by waiting.

The recent Illinois Bell Telephone Co. issue of $50 million of first mortgage bonds afford a good barometer of the response which has attended recent emissions.

At the outset there was a smattering of interest in this big offering. But then things simmered down and there has not been any subsequent tendency to "catch fire," as the saying goes. But observers are eyeing this one closely, realizing that it could touch things off if it starts to really move.

Little More Activity

The approaching week promises to stir up a bit more in the way of activity than has been the order of the day recently in the new capital market. Several debt issues, none of unwieldy proportions, however, are on the calendar.

Tuesday brings up Northern Indiana Public Service Co.'s $25 million of new bonds for bids. The same day bankers are slated to offer $5 million of debentures for White Stores Inc.

The following day the week's largest undertaking, $33 million of bonds of Colorado Interstate Gas Co. is due up for bonds, along with $12 million of the same firm's preferred stock. Equitable Gas Co. has $6 million preferred going to market.

And for a wrap-up of the week's corporate offerings, Royal Dutch Airlines (K.L.M.) will be selling $17 million of debentures through bankers.

H. C. Wainwright Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Richard I. Landy has been added to the staff of H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges.

A Small Step in the Right Direction!

"America at this very moment is engaged in a great debate on the role of government in the lives of her citizens. A part of this debate revolves around the question, Shall government live within its means, shall our citizens, in a prosperous time, meet the cost of the service they desire of their Government?

Pres. Eisenhower

"Or is it to be our established policy to follow the ruinous route of free republics of the ages past, the route of deficit financing, of inflation, of taxes ever rising, until all initiative and self-reliant enterprise are destroyed. This route, I remind you, is one that would surely torpedo all the great achievements of your organizations in the past quarter century.

"I believe all of us want a healthy, free economy, one that will produce growth in terms of real goods, real services, real wages. Surely none of us favors actions that tend to debase our currency.

"I believe further that most of you and most of your organizations are equally dedicated to these principles. Moreover, now that your systems have arrived at a state of maturity, I am sure you want to make the kind of contribution all of us must make as citizens toward a goal of fiscal soundness throughout America. To this end, none of us should add to the burdens of the general citizenry by insisting upon a favored position." — President Eisenhower to the National Rural Electric Cooperative Association.

Excellent generalizations, but it all led up only to the announcement of a decision to require certain borrowers to pay the going rate of interest!

Ferman Branch in NYC

Robert L. Ferman & Company has opened a branch office at 550 Fifth Avenue, New York City under the management of Richard M. Richards.

Waddell & Reed Branch

SAN FRANCISCO, Cal.—Waddell & Reed, Inc., has opened a branch office at 111 Sutter Street under the management of H. H. Sender.

Joins S. Romanoff Co.

(Special to The Financial Chronicle)

WORCESTER, Mass.—Sophie A. Kolodziek has joined the staff of S. Romanoff & Co., 340 Main Street. She was formerly with H. L. Robbins & Co., Inc.

With Merrill Lynch

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Lester F. McCabe is with Merrill Lynch, Pierce, Fenner & Smith Incorporated, Rand Tower.

R. L. Smith Co. Adds

(Special to The Financial Chronicle)

ST. PAUL, Minn. — Charles H. O'Malley has been added to the staff of Robert L. Smith & Co., Pioneer Building.

Now With Bache & Co.

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Herbert M. Gershon is now with Bache & Co., 1000 Baltimore Avenue.

Joins Barret, Fitch

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Frank O. Shite has become affiliated with Barret, Fitch, North & Co. Incorporated, 1006 Baltimore Avenue, members of the New York and Midwest Stock Exchanges.

B. C. Christopher Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Bartlett L. White is now affiliated with B. C. Christopher & Co., Board of Trade Building, members of the New York Stock Exchange.

Joins A. Wayne Hough

(Special to The Financial Chronicle)

PASADENA, Calif.—John R. Hulihan has joined the staff of A. Wayne Hough & Co., Security Building.

With Paine, Webber

LOS ANGELES, Calif.—George A. Briggs has been added to the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street.

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. 8	§89.5	*88.5	80.8	52.8
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 8	§2,535,000	*2,506,000	2,288,000	1,425,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 20	7,208,320	7,154,820	7,193,535	6,807,635
Crude runs to stills—daily average (bbls.)	Feb. 20	†7,987,000	7,954,000	8,311,000	7,506,000
Gasoline output (bbls.)	Feb. 20	27,768,000	26,762,000	28,101,000	25,937,000
Kerosene output (bbls.)	Feb. 20	2,784,000	2,952,000	2,465,000	2,366,000
Distillate fuel oil output (bbls.)	Feb. 20	15,475,000	15,420,000	15,009,000	12,008,000
Residual fuel oil output (bbls.)	Feb. 20	7,162,000	7,354,000	7,779,000	7,769,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 20	204,987,000	200,120,000	192,883,000	213,116,000
Kerosene (bbls.) at	Feb. 20	19,648,000	19,953,000	21,388,000	18,596,000
Distillate fuel oil (bbls.) at	Feb. 20	84,021,000	88,255,000	100,402,000	96,668,000
Residual fuel oil (bbls.) at	Feb. 20	55,530,000	55,646,000	59,924,000	55,435,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 21	583,181	567,134	555,547	494,919
Revenue freight received from connections (no. of cars)	Feb. 21	555,121	543,395	524,800	482,610
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 26	$285,660,000	$398,333,000	$418,223,000	$304,665,000
Private construction	Feb. 26	176,172,000	211,894,000	231,413,000	128,238,000
Public construction	Feb. 26	109,488,000	186,439,000	186,810,000	176,427,000
State and municipal	Feb. 26	85,211,000	138,189,000	125,952,000	132,177,000
Federal	Feb. 26	24,277,000	48,250,000	60,858,000	44,250,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 21	8,055,000	*8,175,000	8,005,000	6,790,000
Pennsylvania anthracite (tons)	Feb. 21	390,000	366,000	442,000	427,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 21	109	111	105	88
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 28	12,972,000	13,259,000	13,151,000	11,803,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 26	296	310	322	331
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 24	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Feb. 24	$66.41	$66.41	$66.41	$66.49
Scrap steel (per gross ton)	Feb. 24	$43.17	$43.83	$42.50	$37.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 25	29.675c	29.650c	28.625c	24.100c
Export refinery at	Feb. 25	29.300c	28.800c	28.075c	19.800c
Lead (New York) at	Feb. 25	11.000c	11.500c	12.000c	13.000c
Lead (St. Louis) at	Feb. 25	10.800c	11.300c	11.800c	12.800c
‡Zinc (delivered) at	Feb. 25	11.500c	12.000c	12.000c	10.500c
Zinc (East St. Louis) at	Feb. 25	11.000c	11.500c	11.500c	10.000c
Aluminum (primary pig, 99.5%) at	Feb. 25	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Feb. 25	104.750c	102.750c	99.625c	95.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 3	86.63	86.29	85.54	94.56
Average corporate	Mar. 3	90.20	90.06	89.64	95.92
Aaa	Mar. 3	94.41	94.12	93.67	102.46
Aa	Mar. 3	92.93	92.79	92.20	99.84
A	Mar. 3	90.34	90.06	89.64	95.62
Baa	Mar. 3	83.79	83.66	83.53	86.78
Railroad Group	Mar. 3	89.09	89.23	88.13	91.77
Public Utilities Group	Mar. 3	89.78	89.64	89.37	97.62
Industrials Group	Mar. 3	91.77	91.34	91.62	98.41
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 3	3.76	3.80	3.88	2.96
Average corporate	Mar. 3	4.40	4.41	4.44	4.01
Aaa	Mar. 3	4.11	4.13	4.16	3.60
Aa	Mar. 3	4.21	4.22	4.26	3.76
A	Mar. 3	4.39	4.41	4.44	4.03
Baa	Mar. 3	4.88	4.89	4.90	4.65
Railroad Group	Mar. 3	4.48	4.47	4.55	4.29
Public Utilities Group	Mar. 3	4.43	4.44	4.46	3.90
Industrials Group	Mar. 3	4.29	4.32	4.30	3.85
MOODY'S COMMODITY INDEX	Mar. 3	383.2	382.5	384.3	397.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 21	297,549	289,084	289,474	230,020
Production (tons)	Feb. 21	304,774	310,348	292,534	272,590
Percentage of activity	Feb. 21	94	94	91	89
Unfilled orders (tons) at end of period	Feb. 21	400,485	409,012	378,182	330,479
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 27	114.72	110.70	111.41	109.33
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 7	2,230,050	2,770,520	3,033,910	1,485,200
Short sales	Feb. 7	347,000	409,290	485,450	324,310
Other sales	Feb. 7	1,961,170	2,365,440	2,695,430	1,227,380
Total sales	Feb. 7	2,308,170	2,774,730	3,180,880	1,551,690
Other transactions initiated on the floor—					
Total purchases	Feb. 7	501,830	542,440	549,150	380,420
Short sales	Feb. 7	56,400	44,600	43,000	44,000
Other sales	Feb. 7	430,690	524,180	538,910	390,820
Total sales	Feb. 7	487,090	568,780	581,910	434,820
Other transactions initiated off the floor—					
Total purchases	Feb. 7	729,705	770,670	893,850	541,977
Short sales	Feb. 7	111,420	106,770	137,740	143,760
Other sales	Feb. 7	793,972	964,226	1,029,020	632,872
Total sales	Feb. 7	905,392	1,070,996	1,166,760	776,632
Total round-lot transactions for account of members—					
Total purchases	Feb. 7	3,461,585	4,083,630	4,476,910	2,407,597
Short sales	Feb. 7	514,820	560,660	666,190	512,070
Other sales	Feb. 7	3,185,832	3,853,866	4,263,360	2,251,072
Total sales	Feb. 7	3,700,652	4,414,506	4,929,550	2,763,142
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	Feb. 7	1,786,795	2,019,354	2,456,705	1,336,171
Dollar value	Feb. 7	$87,528,880	$102,617,671	$131,390,700	$57,892,492
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 7	1,549,251	1,715,674	1,965,142	1,013,055
Customers' short sales	Feb. 7	7,604	7,136	8,707	20,961
Customers' other sales	Feb. 7	1,541,647	1,708,538	1,956,435	992,094
Dollar value	Feb. 7	$76,215,124	$86,131,861	$101,409,733	$45,785,039
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 7	410,740	466,120	494,960	253,770
Short sales	Feb. 7				
Other sales	Feb. 7	410,740	466,120	494,960	253,770
Round-lot purchases by dealers—					
Number of shares	Feb. 7	640,390	744,010	936,740	582,190
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	Feb. 7	640,590	697,830	783,230	903,330
Other sales	Feb. 7	16,807,450	19,323,890	21,003,020	11,922,930
Total sales	Feb. 7	17,448,040	20,021,720	21,786,250	12,826,260
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 24	119.1	119.4	119.5	119.2
Farm products	Feb. 24	89.9	91.0	91.9	97.3
Processed foods	Feb. 24	107.2	107.8	109.0	109.7
Meats	Feb. 24	98.2	100.1	102.8	103.7
All commodities other than farm and foods	Feb. 24	127.6	127.6	127.4	125.8

*Revised figure. †Includes 939,000 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.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of January (in millions):			
Total new construction	$3,657	$4,024	$3,326
Private construction	2,603	2,887	2,408
Residential buildings (nonfarm)	1,433	1,605	1,165
New dwelling units	1,145	1,260	895
Additions and alterations	233	288	220
Nonhousekeeping	55	57	50
Nonresidential buildings	660	722	746
Industrial	173	176	274
Commercial	268	305	270
Office buildings and warehouses	153	163	167
Stores, restaurants, and garages	115	142	103
Other nonresidential buildings	219	241	202
Religious	73	78	68
Educational	47	50	43
Hospital and institutional	48	49	51
Social and recreational	35	39	25
Miscellaneous	16	25	15
Farm construction	98	100	100
Public utilities	398	444	385
Railroad	23	19	25
Telephone and telegraph	68	66	74
Other public utilities	307	359	286
All other private	14	16	12
Public construction	1,054	1,137	918
Residential buildings	91	88	59
Nonresidential buildings	356	361	343
Industrial	28	28	29
Educational	223	227	225
Hospital and institutional	30	32	25
Administrative and service	42	41	31
Other nonresidential buildings	33	33	33
Military facilities	105	110	87
Highways	285	350	230
Sewer and water systems	107	109	99
Sewer	67	69	59
Water	40	40	40
Public service enterprises	29	30	27
Conservation and development	66	74	65
All other public	15	15	8
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC. — 215 CITIES—Month of December:			
New England	$16,844,120	$22,241,857	$20,158,048
Middle Atlantic	111,253,673	99,014,972	105,917,664
South Atlantic	40,533,360	41,138,354	46,375,698
East Central	49,128,489	66,557,800	59,189,999
South Central	89,602,689	85,686,691	75,262,050
West Central	28,052,435	30,070,347	16,552,056
Mountain	22,430,318	21,729,774	17,963,027
Pacific	130,278,657	92,459,955	96,913,026
Total United States	$488,123,741	$458,900,150	$438,331,568
New York City	77,999,456	63,175,489	67,583,851
Outside New York City	410,124,285	395,724,661	370,747,717
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of January:			
Manufacturing number	215	185	219
Wholesale number	132	118	130
Retail number	642	515	676
Construction number	188	176	176
Commercial service number	96	88	78
Total number	1,273	1,082	1,279
Manufacturers' liabilities	$17,062,000	$18,411,000	$24,917,000
Wholesale liabilities	8,472,000	10,613,000	5,505,000
Retail liabilities	33,197,000	14,397,000	20,788,000
Construction liabilities	8,274,000	10,058,000	9,868,000
Commercial service liabilities	6,559,000	3,590,000	3,364,000
Total liabilities	$73,564,000	$57,069,000	$64,442,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of January:			
Weekly earnings—			
All manufacturing	$87.38	*$88.26	$81.66
Durable goods	94.30	*95.88	87.14
Nondurable goods	78.01	78.01	73.54
Hours—			
All manufacturing	39.9	*40.3	38.7
Durable goods	40.3	*40.8	38.9
Nondurable goods	39.4	39.6	38.3
Hourly earnings—			
All manufacturing	$2.19	$2.19	$2.11
Durable goods	2.34	2.35	2.24
Nondurable goods	1.98	*1.97	1.92
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Nov. (000' omitted):			
Savings and loan associations	$931,797	$1,086,452	$686,033
Insurance companies	128,249	150,420	117,362
Banks and trust companies	474,026	558,260	333,134
Mutual savings banks	154,097	175,104	117,387
Individuals	272,492	323,500	271,032
Miscellaneous lending institutions	471,376	562,783	352,228
Total	$2,432,037	$2,856,519	$1,877,176
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of November:			
Net railway operating income	$80,186,629	$114,687,956	$64,247,324
Other income	24,326,454	22,718,782	21,400,635
Total income	104,513,083	137,406,738	85,647,959
Miscellaneous deductions from income	5,481,389	4,440,555	4,894,486
Income available for fixed charges	99,031,694	132,966,183	80,753,473
Income after fixed charges	67,265,749	101,028,769	49,731,704
Other deductions	4,177,204	4,258,075	4,164,474
Net income	63,088,545	96,770,694	45,567,230
Depreciation (way & structure & equipment)	50,028,809	50,140,017	49,002,976
Federal income taxes	23,634,972	48,230,882	16,190,345
Dividend appropriations:			
On common stock	64,979,989	21,001,435	68,957,240
On preferred stock	6,563,992	1,356,424	4,899,731
Ratio of income to fixed charges	3.12	4.16	2.60
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of January:			
Net sales			
Net purchases	$14,138,000	$43,663,500	$10,591,100
U. S. GOVT. STATUTORY DEBT LIMITATION —As of Jan. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$288,000,000	$288,000,000	$275,000,000
Outstanding—			
Total gross public debt	285,801,183	282,922,423	274,554,825
Guaranteed obligations not owned by the Treasury	105,713	108,777	100,964
Total gross public debt and guaranteed obligations	$285,906,727	$283,031,201	$274,655,790
Deduct—other outstanding public debt obligations not subject to debt limitation	423,058	424,227	436,358
Grand total outstanding	$285,483,669	$282,606,973	$274,219,431
Balance face amount of obligations, issuable under above authority	$2,516,330	$3,393,026	$780,568

Blue Ridge Reports Rise in Assets

Milan D. Popovic, President, reported to the stockholders that the assets of the Fund at the year-end were at $32,218,967 representing an increase of $8,477,426 from December 31, 1957. Adjusting for capital gains distributed during the year assets showed an appreciation of 35%. Shares outstanding also increased by 118,276.

Mutual Funds

By ROBERT R. RICH

Investors Continue Acceptance of Mutual Funds in 1959

"Professional investment management and risk-reducing diversification continue to be accepted by investors in their financial planning as the 1959 business scene unfolds," George A. Mooney, Executive Director of the National Association of Investment Companies, observed in issuing the Association's statistics for January.

George A. Mooney

Purchases by investors of investment company shares for the month totaled $223,516,000, Mr. Mooney announced. This compares with $131,605,000 for January, 1958, and $152,037,000 for December, 1958.

Mutual fund shares turned in for redemption during January, 1959, amounted to $75,048,000, compared with $30,445,000 for the previous January and $58,813,000 for December, 1958, a range of 0.33% to 0.55% of the value of outstanding shares at the end of each period.

Total net assets of the 153 mutual fund members of the National Association of Investment Companies were $13,705,526,000 as of Jan. 31, 1959. Holdings by these investment companies of N. Y. Stock Exchange listed stocks as of that date are estimated to represent slightly less than 4% of the value of all listed stocks. As of Jan. 31, 1958, assets of the Association's 143 mutual fund members were $9,217,948,000.

Investors started 25,980 new accumulation plans—through which shares are acquired on a regular monthly or quarterly basis—in January, 1959. In January a year ago, 18,371 such plans were started and, in December, 1958, the total was 24,369.

Fund Head Cites Non-Boom Factors

T. Rowe Price Growth Stock Fund, Inc., reported that total assets increased to $16,778,582 from $9,436,114 for the year previous. Net asset value per share increased from $27.67 to $36.45. This represented a gain of 37.3% for the period after adjustment for the $1.55 distribution paid in December from realized gain on the sale of securities.

During the year the total number of stockholders increased from 2,511 to 3,888.

In his letter to stockholders Mr. Price stated "We expect the current business recovery to continue during the first six months of 1959, but its extent and duration are subject to a number of unpredictable factors. If inflation psychology increases, and if consumers accelerate the purchase of goods — particularly automobiles — a new boom could develop and the Federal Reserve Board Index of Industrial Production could reach a new high".

He noted, however, that over the year as a whole a moderate increase in business activity seems more likely at the present time in view of several possible deterrents to such a boom. The efforts of the Federal Reserve Board and the Administration to check inflation, excess plant capacity in most industries and an abundant supply of raw commodities were mentioned as affecting this possible boom. He also noted that increased competition from abroad may be expected, citing that many new production facilities have been financed with American capital, and some nations have been taught American know-how. With much lower labor costs, an increasing number of foreign companies are in a position to undersell United States manufacturers in both foreign and domestic markets. He also said that the European Common Market will place American exporters at a disadvantage not only because of eventual free trade with the E.C.M., but also because of the potential growth of larger and more efficient competitors inside that market.

In view of all these factors he reported that the management of the Fund considers it sound investment policy to reduce the percentage of assets in common stocks as prices go higher in relation to current and estimated potential of earnings growth and to increase reserves as the risk factor becomes greater. In this way common stock percentages can be increased when individual stocks represent realistic price values in relation to growth prospects.

European Common Market Closed-End Fund Established

Eurofund, Inc., a European Common Market fund, has filed a registration statement with the Securities and Exchange Commission covering a proposed sale of 2,500,000 shares of common stock. The offering price is expected to be $20 per share. Glore, Forgan & Co. will head the group to offer the shares.

Eurofund is to be a closed-end, non-diversified investment company. It intends to invest primarily in equity securities of companies operating in the six Common Market countries (France, Germany, Italy, Belgium, Netherlands, and Luxembourg). Eurofund's principal objective will be capital appreciation. While the earning of dividend or interest income will be given due consideration, it will normally be deemed of secondary importance.

Stein Roe Renames One of Its Funds

In the annual proxy statement dated Feb. 2, 1959, the board of directors submitted for shareholder action a proposal to change the name of The Stein Roe & Farnham Fund Incorporated to Stein Roe & Farnham BALANCED FUND, Inc. This change of name had previously been unanimously approved by the board of directors as a means of more accurately designating the nature of the Fund and to prevent any confusion with Stein Roe & Farnham STOCK FUND, Inc., also managed by the investment counsel firm of Stein Roe & Farnham.

At the annual meeting of shareholders on Feb. 17, 1959, the change of name to the form designated above was approved by more than the necessary two-thirds majority of shares entitled to vote at the meeting. Accordingly, an amendment to the certificate of incorporation was filed on the following day in Maryland, the state of incorporation, and the change of name became effective at that time.

National Shares Name to Be Dominick Fund

A. Varick Stout, President of National Shares Corporation, a diversified closed-end investment company listed on the New York Stock Exchange, announced that stockholders had approved amendments to the corporation's certificate of incorporation to increase the authorized capital stock from 2,000,000 to 3,000,000 shares and also to change the name of the corporation to The Dominick Fund, Inc. A dividend of 12 cents a share was also declared payable from ordinary income on April 5, 1959, to stockholders of record March 31, 1959.

Inc. Foundation Reports Purchases

Income Foundation Fund made new common stock investments of 2,000 shares of Maine Public Service and 800 shares of Halliburton Oil Well Cementing in January, 1959. It also increased its holdings of National Cash Register common during the month by 1,000 shares. After these purchases the 25-year-old balanced mutual fund had approximately 60% of its assets of approximately $9 million in common stocks with the remainder in fixed income securities.

Group Securities To Merge Two Fds.

At the annual meeting on Feb. 24, an overwhelming majority of the shareholders of Group Securities, Inc., approved the steps necessary to the merger of two of this leading investment company's 21 mutual funds, Aviation Shares and Electronics & Electrical Equipment Shares, into a single fund bearing the name of Aviaion-Electronics-Electrical Equipment Shares.

Group's President, Herbert R. Anderson commented: "While the term, 'merger', is technically applied to this action, I am confident that we have created a dynamic new investment that is considerably more than the sum of its parts. We have seen the industries that comprise the two merged funds unite their technologies and production at a steadily increasing rate and all evidence indicates that this trend will continue. The result we have achieved today, therefore, is not just a broadened industry mutual fund, but what I would prefer to call a 'concept fund'.

"I refer to the concept of growth as investors understand it. Consider those areas that offer the outstanding growth possibilities of the coming generations: space and its exploration, automation and the implication of increasing productivity and decreasing labor costs; nucleonics and the application of atomic power to practical and almost unlimited production of electric energy. These areas, with their common tradition of research, possess the true raw material of capital appreciation."

When a shareholder asked if additional mergers among Group's 15 industry mutual funds were planned, Mr. Anderson replied, "The plain answer is, 'no'. However, I'm tempted to qualify that because in the past our specialized funds have tended to merge themselves, rather than for us to merge them. I mean by that that when an industry providing the investment substance of one of our specialized funds is radically altered through technological changes or product diversification management is merely recognizing the fact by suggesting a merger, not creating it."

Wellington Sales In January Set 30-Yr. Month High

Wellington Fund sales for January, 1959, established a new all-time record for monthly sales according to Joseph E. Welch, Executive Vice-President.

January, 1959, sales amounted to $14,065,000, the highest for any month in the 30-year history of Wellington Fund. This record-breaking first month followed 1958 annual sales of $118,000,000 which also represented an all-time annual high.

Sales for January, 1958, were $9,300,000.

On Jan. 30, 1959, Wellington Fund resources were $873,104,00[illegible] compared with $632,387,000 on Jan. 30, 1958.

Calif.-Based Fund Reports Share Gai[n]

Total assets and net assets per share of American Mutual Fund stood at record highs on Jan. 31, 1959, it was reported by President Jonathan B. Lovelace in his report to the shareholders for the first quarter of fiscal 1959. Total net assets on Jan. 31 were $102,938,81[illegible] equivalent to $8.94 for each of the 11,514,455 shares outstanding. This compares with total assets of $94,920,871 at Oct. 31, 1958, equivalent to $8.47 per share on the 11,211,13[illegible] shares then outstanding. Adjusting for the capital gain distribution of 18 cents per share, the increase in net asset value per share during the three months period was 7.7%.

Net investment income for the three months ended Jan. 31, 1959 was $651,221 or approximately 5.76 cents per share on the average number of shares (11,315,178) outstanding during the period. This compares with net investment income of $664,332 in the corresponding period a year earlier, equivalent to 7.34 cents per share on the average number of shares (9,041,341) outstanding during that period.

The largest industry holdings in American Mutual Fund's portfolio at Jan. 31, 1959 were Public Utilities, including Telephone, 10.6%; Steel and Iron, 8.1%; Oil, 7.1%; Transportation, 6.2%, Banking, 5.9%; Electrical and Electronic, 5.4%. The largest individual holdings at market at that date were: American Telephone and Telegraph, United States Steel, Standard Oil of California, Texas Company, Armco Steel, International Harvester, International Telephone and Telegraph, and Norfolk & Western Railway.

During the quarter the following new additions were made to the portfolio of investments: Aetna Life, American Radiator & Standard Sanitary, American Viscose, Granite City Steel, Gulf Oil, Louisiana Land, Nopco Chemical, North American Aviation, Northwest Airlines, Radio Corporation of America, Republic Steel, Smith-Corona Marchant, Southern Pacific, and Thompson Ramo Wooldridge Inc.

Securities of the following companies were eliminated: American Metal Climax, Bendix Aviation, Crum & Forster, Detroit Edison, Filtrol, Ideal Cement, Inland Steel, International Nickel, Johnson Service, National Tea, Pfizer, Rayonier, Richfield Oil, Standard Oil of New Jersey, American Electronics (5¼% convertible debentures), and Arden Farms (5% convertible debentures).

Keystone S-4 Fund Best '58 Performer

In a performance believed to be without precedent in the history of mutual funds, Keystone Low-Priced Common Stock Fund S-4 showed an appreciation of 65% in net asset value per share for the 12 months ended Jan. 31, according to the semi-annual report being sent to 14,592 shareholders.

S. L. Sholley, Keystone President, points out that total net assets for the period increased 121% to $31,158,197 and number of shareholders jumped 61%, both record figures.

For the calendar year 1958, Keystone S-4 led all other funds with an appreciation of 77.8% in net asset value per share.

Mr. Sholley lists three reasons for the unusually large capital appreciation in such a short period: strength of the stock market generally; greater investor interest in the smaller and newer growth companies and industries; and careful selection of 58 stocks for the Fund's portfolio from 603 candidates in the S-4 class.

Increased holdings of electronics stocks, which constituted almost 17% of the portfolio, played a major part in the year's capital results. So did other industries in which the Fund had sizable representations; railroad, 8.6%; building, 8%; paper and packaging, 7.7% and machinery stocks, 6.1%.

Keystone boosted its railroad holdings by adding 30,000 shares of Gulf, Mobile & Ohio and 15,000 shares of Chicago and North Western and by increasing its interest in Chicago Great Western and Western Maryland. It also returned to the air transportation field by adding 21,300 Western Air Lines and 30,000 Northwest Airlines.

In his report, Mr. Sholley tells shareholders, "While short-term figures are impressive, your Fund's investment emphasis is on issues providing opportunities for long-term capital growth. For that reason the 10-year results are of greater significance."

The report shows the 10-year results of a hypothetical investment of $10,000 in Keystone S-4 made on Dec. 31, 1948. With capital gains reinvested in shares, total net asset value on Dec. 31, 1958 would have been $49,400 plus $6,223 net investment income. Had all distributions been reinvested, the end value would have been $67,683, and had all distributions been taken in cash, the asset value would have been $23,502 plus $4,736 of investment income and $12,591 of realized profits.

DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY

PREFERRED DIVIDEND No. 212
COMMON DIVIDEND No. 202

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending March 31, 1959 and a dividend of 30¢ per share on the Common Stock have been declared. Both dividends are payable April 1, 1959 to holders of record March 9, 1959. The stock transfer books will remain open.

LOUIS T. HINDENLANG
Secretary and Treasurer

February 25, 1959

Beneficial Finance Co.

119th CONSECUTIVE QUARTERLY CASH DIVIDEND

The Board of Directors has declared a quarterly cash dividend of

$.25 per share on Common Stock

payable March 31, 1959 to stockholders of record at close of business March 13, 1959.

March 2, 1959

Wm. E. Thompson
Secretary

Over 1,100 offices in U. S., Canada and Hawaii

Beneficial Finance System

148TH DIVIDEND

CIT FINANCIAL CORPORATION

A quarterly dividend of $0.60 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable April 1, 1959, to stockholders of record at the close of business March 10, 1959. The transfer books will not close. Checks will be mailed.

C. JOHN KUHN,
Treasurer

February 26, 1959.

DIVIDEND NOTICES

DOME MINES LIMITED

February 27, 1959.

DIVIDEND NO. 166

At a meeting of the Board of Directors of Dome Mines Limited, held this day, a quarterly dividend of Seventeen and One-Half Cents (17½c) per share (in Canadian Funds) was declared payable on April 30, 1959, to shareholders of record at the close of business on March 30, 1959.

CLIFFORD W. MICHEL,
President and Treasurer.

AMERICAN STORES COMPANY

162nd Dividend

CASH DIVIDEND The Board of Directors on February 19, 1959 declared the regular quarterly dividend of 50c per share.

STOCK DIVIDEND: At the same time the Board of Directors declared a 5% stock dividend.

Both dividends are payable March 28, 1959 to stockholders of record on March 2, 1959.

JOHN R. PARK
Executive Vice Pres. & Treas.

THE COLORADO FUEL AND IRON CORPORATION

Dividend Notice

The Board of Directors of The Colorado Fuel and Iron Corporation today, Thursday, February 26th, declared a 2% common stock dividend payable April 8th, 1959 to common stockholders of record on March 9, 1959.

The Board of Directors also declared the regular quarterly dividend of 62½ cents per share on the series A $50 par value preferred stock, and 68¾ cents per share on the series B $50 par value preferred stock. These dividends are payable March 31, to holders of record at the close of business on March 9.

With respect to the stock dividend on the common stock, Mr. A. F. Franz, president of the corporation, stated, "The recent improvement in operating results and the favorable near term outlook warrants the declaration of a dividend to the common stockholders. The Board of Directors has voted a 2% stock dividend. Future dividends, whether payable in cash or stock, will be dependent upon numerous facts, many of which cannot be predicted with any reasonable degree of certainty at this time."

Those common stockholders who are entitled to receive fractional-share interests as a result of the common stock dividend will be given an option to sell their fractional-share interests or to buy a fractional-share interest sufficient to round out their stock dividend to the nearest full share. The Marine Midland Trust Company of New York has been appointed agent for handling such purchases and sales, which will be made at the instruction of, and for the account and record of, such holders. The period in which such sales or purchases may be made will expire on May 11th, 1959. Any fractional-share interests remaining outstanding after May 11th, 1959 will be sold and the cash proceeds forwarded to the holders of fractional-share interests.

D. C. McGREW, Secretary.

DIVIDEND NOTICES

AMERICAN MACHINE AND METALS, INC.

61st Dividend

A QUARTERLY DIVIDEND of SEVENTY CENTS per share has been declared on the capital stock for the first quarter of 1959, payable on March 31, 1959, to shareholders of record on March 16, 1959.

Robert G. Burns, *Treasurer*

ANACONDA

DIVIDEND NO. 203

February 26, 1959

The Board of Directors of **THE ANACONDA COMPANY** has today declared a dividend of Fifty Cents ($.50) per share on its capital stock of the par value of $50 per share, payable March 31, 1959, to stockholders of record at the close of business on March 6, 1959.

R. E. SCHNEIDER
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

LONG ISLAND LIGHTING COMPANY

QUARTERLY DIVIDEND

PREFERRED STOCK

The Board of Directors has declared the following quarterly dividends payable April 1, 1959 to holders of Preferred Stock of record at the close of business on March 13, 1959.

Series	*Per Share*
Series B, 5%	$1.25
Series D, 4.25%	$1.0625
Series E, 4.35%	$1.0875
Series F, 4.35%	$1.0875
Series G, 4.40%	$1.10

VINCENT T. MILES
Treasurer

February 25, 1959

THE West Penn Electric Company

(Incorporated)

Quarterly Dividend
on the
COMMON STOCK

40¢ PER SHARE

Payable March 31, 1959
Record March 13, 1959
Declared March 4, 1959

WEST PENN ELECTRIC SYSTEM
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

DIVIDEND NOTICES

CERRO DE PASCO CORPORATION

Cash Dividend No. 155

The Board of Directors of Cerro de Pasco Corporation at a meeting held on March 3, 1959, declared a cash dividend of twenty-five cents (25¢) per share on the Common Stock of the Corporation, payable on March 30, 1959, to stockholders of record on March 13, 1959.

MICHAEL D. DAVID
Secretary

300 Park Avenue
New York 22, N. Y.

ELECTRIC BOND AND SHARE COMPANY

NEW YORK, N. Y.

Notice of Dividend

The Board of Directors has declared a quarterly dividend of thirty-five cents (35¢) per share on the Common Stock, payable March 30, 1959, to shareholders of record at the close of business on March 9, 1959.

B. M. BETSCH,
Secretary and Treasurer

February 26, 1959.

INTERNATIONAL SHOE COMPANY

ISCO

St. Louis

192ND CONSECUTIVE DIVIDEND

Common Stock

A quarterly dividend of 45¢ per share payable on April 1, 1959 to stockholders of record at the close of business March 12, 1959, was declared by the Board of Directors.

ROBERT O. MONNIG
Vice-President and Treasurer

February 24, 1959

FINANCIAL NOTICE

Notice to Security Holders of

THE CONNECTICUT LIGHT AND POWER COMPANY

Earnings Statement for Twelve Months Ended January 31, 1959

The Connecticut Light and Power Company has made generally available to its security holders an Earnings Statement for the period of February 1, 1958 to January 31, 1959, such twelve month period beginning after the effective date of the Company's Registration Statement (2-13806) covering $30,000,000 First and Refunding Mortgage 3⅞% Bonds, Series O, which was filed December 19, 1957 with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and which became effective January 8, 1958.

Copies of such earnings statement will be mailed upon request to holders of the Company's securities.

THE CONNECTICUT LIGHT AND POWER COMPANY
Berlin, Connecticut

March 2, 1959

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—The world's biggest construction project—the Interstate Highway program—is definitely in trouble. The mighty blueprint which Congress approved with great enthusiasm in 1956 may have to be altered.

The facts are Congress was oversold on the proposed 41,000 miles of multi-laned, stop-light free, divided ribbons of concrete and asphalt. It all sounded fine.

Congress told the people back home that by raising the Federal gasoline tax, and raising the rubber tax, etc., the nation could have these beautiful expressways within a few years. The whole program is scheduled to be completed within 13 years. Some links of these roads have already been finished.

The great barrier, however, is the Bureau of Roads is running out of money. Testimony before Congress in 1956 estimated that the whole program could be built with $27,000,000,000. The Federal Government pays 90% of the cost, and the various states 10%. Some qualified observers in the Nation's Capital who are following the vast program closely estimate now that the program probably will cost $40,000,000,000 before it is completed.

One competent observer said he is now convinced that the overall Interstate program is going to cost at least 50% more than the original estimates presented to Congress. Actually the 1956 Highway Act was based pretty much on research and information of 1954 when prices were generally lower than in 1956 and now.

The reason that the program is currently in trouble is that the Bureau of Roads sees an acute money shortage before long. The primary and secondary road programs are not in trouble. These two programs have priority over the revenues.

Higher Federal Gasoline Tax Unlikely

President Eisenhower in his budget message on Jan. 19 asked Congress to raise the Federal gasoline tax an additional 1.5 cents a gallon. Unless sentiment changes on Capitol Hill, the President's proposal appears dead. The various states are, like the Bureau of Public Roads, in need of more road funds. At least five states, including New York, have raised the state gasoline tax, and others plan to increase the tax.

A tax on gasoline is one of the sources left for the states. State officials in all parts of the country advised Congress that it would be a mistake to raise the Federal tax again.

Newspapers in various sections of the country have editorialized on the tax and the Interstate road question. If Congress raises the tax now, what will keep the powers that be from coming back to Congress three or five years from now and saying again: If you don't provide us with more funds the highway program is going to be seriously crippled?

"I do not see a chance of passage at this session of the gasoline tax increase measure," said a member of the House Ways and Means Committee. "As I see it, this Interstate program is not quite as popular as it was when it started. There are many thousands of people in scattered cities of the nation that are worked up over these expressways."

One of the major problems facing Congress, the Bureau of Public Roads, and some States, is the question of the Federal Government "purchasing" the divided, multi-laned expressways built by the States. There are hundreds of miles of these highways that have been designated as Interstate links.

Toll Road Bonds Affected

There are hundreds of millions of dollars of bonds outstanding in connection with these new toll roads. Many of these bonds, backed by the faith and credit of the states or state agencies, are non-callable. The bondholders do not want to give them up.

Once the roads would be taken over or paid for by the Federal Government on the basis of 90-10 like the current construction projects, is the question of maintenance of those roads. Of course, maintenance is already being provided by the States that built these links, such as New York, Pennsylvania, New Jersey, Connecticut, Ohio, Illinois and Massachusetts. But the upkeep is being paid out of the revenues paid by the motorists who pay to ride on those toll roads. Once they were taken into the Interstate system of highways through "purchase," the present tolls would be lifted.

Warn of Money Shortage

Secretary of Commerce Lewis L. Strauss, Under Secretary of Commerce John J. Allen, Jr., Federal Highway Administrator Bertram Tallamy, and numerous other witnesses have appeared recently before the Senate Public Works Subcommittee on roads.

Secretary Strauss and the other officials maintain that unless additional funds are made available it will be necessary to completely forego any apportionment of Interstate funds during the calendar year 1959 (for the fiscal year 1961). Furthermore, these officials insist that the apportionment during the 1960 calendar year (for the fiscal year 1962) would amount to only $500,000,000. The apportionments are made far in advance so that the States may have as much advance information as possible in planning their programs. It takes months to plan a highway program before getting started on actual construction.

There are demands, suggestions and persuasions from all parts of the country coming into members of Congress pertaining to future financing. Many of them ask that Congress appropriate the money out of the Treasury to meet the future apportionment needs over and above what the present taxes yield into the Highway Trust Fund. The motorists pay a sizable amount of taxes that do not now go to the Highway Trust Fund, but are diverted into the Treasury.

Obviously the Treasury Department, already sorely pressed to pay the bills of the Federal Government, are opposed to a direct appropriation of money from the Treasury.

Program Stretch-Out Looms

Congress is still shooting for the completion of the Interstate plan for a 13-year authorization period during a 15-year construction period, but the stretch-out looms now stronger than ever, because the Highway Trust Fund will be in the "red" by $923,000,000 by 1960. The deficiency will amount to $5,000,000,000 by 1963. The total income to the Trust Fund through 1972 probably would be $15,000,000,000 or more under the present tax system. It probably would run substantially greater because prices and costs continue to rise year after year.

The highway industry has got its foot in the door strong, and it is going to exert a tremendous amount of influence and pressure to get Congress to provide the money some way, somehow. Some people have even suggested that the Federal Government issue more bonds to pay for the costs. There is little or no sentiment on Capitol Hill at this time for a bond issue. The interest cost to the Federal Government is now at the rate of about $8,000,000,000 a year, which is a major item in the budget.

Meantime, testimony presented to the committees in Congress by the officials of the Department of Commerce (the Bureau of Roads is an agency of Commerce) shows that as the new year began, construction had been completed or was underway — mostly underway, on 11,463 miles. Right-of-way acquisition and design work had been "completed, underway, or authorized" on an additional 16,843 miles. These figures sound pretty impressive on the face.

Government Aid Doubted

Under Secretary Allen, in appearing before the Senate Roads Committee, said in reply to questioning that it would be inappropriate for him to suggest any alternate money-raising plan until the proposal of President Eisenhower to raise the gasoline tax, was formally acted upon by Congress. He said if Congress rejects the plan it should come up with its own recommendations designed to keep the program going on "schedule."

Senator Francis Case, Republican of South Dakota, believes that President Eisenhower would veto any Congressional measure that would appropriate funds from the Treasury.

The facts are Congress was oversold by somebody in 1956 when the law-makers passed the Highway Act and set up the Highway Trust Fund. Even if the program is stretched out, the more than 6,000 highway contractors in this country are going to have a great amount of work to do. They are going to have a lot of work to do even after the program is completed years from now, because the upkeep on those roads as they wear out, will be substantial. The upkeep alone is going to take a lot of gasoline tax funds.

The cement and asphalt industries will have tremendous outputs to meet the demands, although the demands may not cause the plants to run at near capacity. Road machinery manufacturers will also be called upon to supply a lot of equipment, but probably not what they expected to sell when the program was launched in 1956.

[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

"This is NOT what I meant by modernizing our advertising!"

Continued from page 4

Observations

passengers which it carried during December increased by 65% over the same month the previous year, with the concurrent increases by the two U. S. lines rising 54% and 21%.

The actual results revenue-wise posted by the British Government-owned carrier concretely warrant optimism concerning stimulus to the airlines' earnings from jet use. Its revenues actually increased 21% during the October-December period and 32% from December to the end of January.

Build-Up for the Future

This momentum has carried B.O.A.C. into the jet era with a fleet of planes entirely powered by pure jet and jet-prop engines. She plans to inaugurate the world's first all-jet service around the globe within the month. Passenger capacity will thereby be increased by about 40% in 1959.

The first round-the-world jet service will be the result of a new proposed trans-Pacific extension route to be operated with jet-prop Brittania airliners flying from London via the United States to Tokyo and Hong Kong.

This first all-jet service spanning the world will not only tremendously increase passenger traffic, but is also quite certain to act as a great stimulus to long-haul cargo traffic volume.

Surely, both travel- and investment-wise the future of the airlines industry is about to be crucially determined by Jet developments.

* * *

STIMULATING THE MERGER BOOM

Irresistibly there continues the proclivity for corporate merging and diversification; in which a coal company has branched out into the production of underwear and cowboy boots, and a tire company into the manufacture of rocket engines and reactors. Following on the accompanying boom in business consulting as well as finders' activities is the appearance of an expanded published service to the diversifiers. An annual publication, "Balance Sheets" (at $100 per year), lists alphabetically with statistics up to 500 companies which are ripe for merger in that their common stocks are selling below book value, and in many cases below their net working capital. An interesting additional stimulus to the finders' and diversifiers boom!